



[These annual financial statements have not been audited]

## **ANNUAL FINANCIAL STATEMENTS**

**30 JUNE 2017**

# EMALAHLENI MUNICIPALITY

## INDEX

<b>Contents</b>	<b>Page</b>
General Information	1
Approval of the Financial Statements	2 - 3
Statement of Financial Position	4
Statement of Financial Performance	5
Statement of Changes In Net Assets	6
Cash Flow Statement	7
Statement of comparison of budget and actual amounts - Statement of Financial Position	8 - 9
Statement of comparison of budget and actual amounts - Statement of Financial Performance	10 - 11
Statement of comparison of budget and actual amounts - Cash Flow Statement	12 - 13
Accounting Policies	14 - 46
Notes to the Financial Statements	47 - 81
<b>APPENDICES - Unaudited</b>	
A Schedule of External Loans	82
B Segmental Statement of Financial Performance - Municipal Votes	83
C Segmental Statement of Financial Performance - GFS	84
D Disclosure of Grants and Subsidies in terms of Section 123 of the MFMA, Act 56 of 2003	85

# EMALAHLENI MUNICIPALITY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### GENERAL INFORMATION

#### NATURE OF BUSINESS

Emalahleni Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 108 of 1996)

#### COUNTRY OF ORIGIN AND LEGAL FORM

Emalahleni Municipality is a South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

#### JURISDICTION

The Emalahleni Municipality includes the following towns and surrounding rural areas:

*Dordrecht*

*Indwe*

*Lady Frere*

#### MUNICIPAL MANAGER

Dr. S. W. Vatala

#### CHIEF FINANCIAL OFFICER

*GP De Jager*

#### REGISTERED OFFICE

*Emalahleni Municipality; 37 Indwe Road; Lady Frere; 5410*

#### AUDITORS

*Office of the Auditor General*

#### PRINCIPLE BANKERS

*Standard Bank; 92 Cathcart RD; Queenstown; 5320*

#### RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)

Division of Revenue Act

The Income Tax Act

Value Added Tax Act

Municipal Structures Act (Act no 117 of 1998)

Municipal Systems Act (Act no 32 of 2000)

Municipal Planning and Performance Management Regulations

Water Services Act (Act no 108 of 1997)

Housing Act (Act no 107 of 1997)

Municipal Property Rates Act (Act no 6 of 2004)

Electricity Act (Act no 41 of 1987)

Skills Development Levies Act (Act no 9 of 1999)

Employment Equity Act (Act no 55 of 1998)

Unemployment Insurance Act (Act no 30 of 1966)

Basic Conditions of Employment Act (Act no 75 of 1997)

Supply Chain Management Regulations, 2005

Collective Agreements

Infrastructure Grants

SALBC Leave Regulations

# EMALAHLENI MUNICIPALITY

## MEMBERS OF THE EMALAHLENI MUNICIPALITY

### COUNCILLORS

1 Nomveliso Nyukwana	Mayor	ANC	PR
2 Dumisa Shadrack Kalolo	Speaker	ANC	PR
3 Patricia Lumka Mapete	Executive Committee	ANC	PR
4 Thandeka Gloria Kulashe	Executive Committee	ANC	PR
5 Nolitha Catherine Lali	Councillor	ANC	PR
6 Primrose Badikazi Twala	Councillor	ANC	PR
7 Sibha Liwani	Executive Committee	ANC	PR
8 Thobeka Daphne Sixishe	Councillor	ANC	PR
9 Nokwandisa Mildred Ziduli	Councillor	ANC	PR
10 Mcebisi Stephen Limba	Executive Committee	ANC	PR
11 Ncedisa Mtyobile	Executive Committee	ANC	PR
12 Pieter Frederick Greyling	Councillor	DA	PR
13 Michael Fumanekile Mthandeki	Councillor	DA	PR
14 Mxolisi Peacemaker Oyiya	Councillor	DA	PR
15 Rossenberg Zolile Feni	Councillor	DA	PR
16 Zenzile Dennis Mahola	Councillor	EFF	PR
17 Kwaaiman Mjezu	Councillor	UDM	PR
18 Thozama Mrwebi	Councillor	ANC	Ward 01
19 Nolistern Kama	Councillor	ANC	Ward 02
20 Xolela Hendrick Njadu	Councillor	ANC	Ward 03
21 Nomzi Mary Tyhulu	Councillor	ANC	Ward 04
22 Siyabulela Bongo	Councillor	ANC	Ward 05
23 Nontombizanele Flowerdale Koni	Councillor	ANC	Ward 06
24 Sipo Ernest Zama	Councillor	ANC	Ward 07
25 Nosibulelo Mavis Nqono	Councillor	ANC	Ward 08
26 Linda Arnold Fatyela	Councillor	ANC	Ward 09
27 Zoyisile Given Moshane	Councillor	ANC	Ward 10
28 Thembi Florence Mondile	Councillor	ANC	Ward 11
29 Tandiwe Monica Ndlela	Councillor	ANC	Ward 12
30 Nowandisile Nobantu Kraqa	Councillor	ANC	Ward 13
31 Mncedisi Sydney Qomoyi	Councillor	ANC	Ward 14
32 Lizo Nelson Paul	Councillor	ANC	Ward 15
33 Makosandile Makatesi	Councillor	ANC	Ward 16
34 Cecil Hluphekile Bobotyane	Councillor	ANC	Ward 17

## APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2017, which are set out on pages 1 to 94 in terms of Section 125 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2017 and is satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

  
\_\_\_\_\_  
Dr. S. W. Vataja  
ACCOUNTING OFFICER

29-08-17  
Date

EMALAHLENI MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017

	Notes	2017 R	2016 R Restated
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net Assets</b>		<b>401,924,741</b>	<b>400,462,233</b>
Accumulated Surplus/(Deficit)		401,924,741	400,462,233
<b>Non-Current Liabilities</b>		<b>6,877,628</b>	<b>7,000,234</b>
Long-term Liabilities	2	-	295,485
Employee benefits	3	6,877,627	6,704,749
Non-Current Provisions	4	0	(0)
<b>Current Liabilities</b>		<b>41,378,290</b>	<b>41,420,031</b>
Current Employee benefits	5	9,032,174	7,544,844
Provisions	4	11,210,331	10,525,917
Payables from exchange transactions	6	20,039,799	21,838,963
Unspent Conditional Government Grants and Receipts	7	800,500	1,157,442
Current Portion of Long-term Liabilities	2	295,485	352,864
<b>Total Net Assets and Liabilities</b>		<b>450,180,659</b>	<b>448,882,498</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>		<b>416,473,896</b>	<b>401,605,390</b>
Property, Plant and Equipment	9	411,828,235	397,129,801
Investment Property	10	4,154,287	4,162,286
Intangible Assets	11	308,838	130,767
Heritage Assets	12	182,536	182,536
<b>Current Assets</b>		<b>33,706,763</b>	<b>47,277,107</b>
Receivables from exchange transactions	13	5,683,400	7,469,630
Receivables from non-exchange transactions	14	1,656,701	5,277,735
Operating Lease Asset	15	78,480	82,746
VAT	8	11,462,319	6,027,535
Unpaid Conditional Government Grants and Receipts	7	1,691,866	-
Cash and Cash Equivalents	16	13,133,998	28,419,461
<b>Total Assets</b>		<b>450,180,659</b>	<b>448,882,498</b>

EMALAHLENI MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 Actual R	2016 Restated R	2016 Correction of Error R	2016 Previously reported R
<b>REVENUE</b>					
Revenue from Non-exchange Transactions		163,822,633	181,677,990	-	181,677,990
Taxation Revenue		4,146,296	3,744,290	-	3,744,290
Property rates	17	4,146,296	3,744,290	-	3,744,290
Transfer Revenue		158,245,205	175,804,259	-	175,804,259
Government Grants and Subsidies - Capital	18	26,170,100	30,614,700	-	30,614,700
Government Grants and Subsidies	18	132,075,105	145,189,559	-	145,189,559
Other Revenue		1,431,131	2,129,440	-	2,129,440
Actuarial Gains		1,278,548	164,568	-	164,568
Reversal of Impairment		-	635,644	-	635,644
Reversal of contribution landfill site rehabilitation cost		-	988,718	-	988,718
Fines		115,919	81,510	-	81,510
Contributed Assets		36,664	259,000	-	259,000
Revenue from Exchange Transactions		24,963,939	22,572,086	-	22,572,086
Service Charges	19	14,799,087	12,036,187	-	12,036,187
Rental of Facilities and Equipment		727,068	771,148	-	771,148
Interest Earned - external investments	20	2,312,651	3,846,124	-	3,846,124
Interest Earned - outstanding debtors	20	4,708,774	4,632,959	-	4,632,959
Licences and Permits		1,072,974	444,382	-	444,382
Agency Services		66,627	58,723	-	58,723
Gains on Sale of Fixed Assets		490,000	-	-	-
Other Income	21	786,757	782,563	-	782,563
<b>Total Revenue</b>		<b>188,786,571</b>	<b>204,250,076</b>	<b>-</b>	<b>204,250,076</b>
<b>EXPENDITURE</b>					
Employee related costs	22	66,175,192	54,543,120	886,551	53,656,569
Remuneration of Councillors	23	11,184,958	10,884,836	-	10,884,836
Debt Impairment	24	2,327,348	4,398,435	(4,128,144)	8,526,579
Bad debts written-off	24	5,079,096	4,128,144	4,128,144	-
Depreciation and Amortisation	25	20,768,086	22,467,631	(333,984)	22,801,615
Impairments	10,11,12	-	-	-	-
Repairs and Maintenance		0	0	(7,094,382)	7,019,692
Finance Charges	26	1,363,144	622,053	-	622,053
Bulk Purchases	27	12,948,236	13,480,217	(2,148,676)	15,628,893
Contracted services		6,282,007	9,846,997	5,024,551	4,822,446
Other Operating Grant Expenditure	28	14,583,595	28,906,458	-	28,906,458
General Expenses	29	45,368,248	42,463,054	984,691	41,478,363
Loss on disposal of Property, Plant and Equipment		1,244,154	8,831,118	-	8,831,118
<b>Total Expenditure</b>		<b>187,324,063</b>	<b>200,572,061</b>	<b>(2,681,249)</b>	<b>203,178,620</b>
Discontinued Operations	46.1	-	2,265,864	-	2,265,864
<b>NET SURPLUS FOR THE YEAR</b>		<b>1,462,508</b>	<b>5,943,879</b>	<b>2,681,249</b>	<b>3,337,320</b>

EMALAHLENI MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2017

	Accumulated Surplus/(Deficit)	Total
	R	R
<b>Balance at 1 JULY 2015</b>	<b>406,169,908</b>	<b>406,169,908</b>
Correction of errors	(11,651,554)	(11,651,554)
<b>Restated Balance at 1 JULY 2015</b>	<b>394,518,354</b>	<b>394,518,354</b>
Net Surplus for the year	5,943,879	5,943,879
<b>Balance at 30 JUNE 2016</b>	<b>400,462,233</b>	<b>400,462,233</b>
Net Surplus for the year	1,462,508	1,462,508
<b>Balance at 30 JUNE 2017</b>	<b>401,924,741</b>	<b>401,924,741</b>



EMALAHLENI MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

	Notes	30 JUNE 2017 R	30 JUNE 2016 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Ratepayers and other		19,852,874	20,958,765
Government - operating	18	132,075,105	145,189,559
Government - capital	18	26,170,100	30,614,700
Interest		7,021,425	8,479,083
<b>Payments</b>			
Suppliers		(92,901,055)	(101,137,107)
Employees	22	(57,758,869)	(47,932,214)
Councillors	23	(11,184,958)	(10,884,835)
Finance charges	26	(1,363,144)	(120,034)
<b>Cash generated by operations</b>	31	<u>21,911,479</u>	<u>45,167,917</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	13	(36,561,540)	(48,577,807)
Proceeds on disposal of PPE			359,989
Purchase of Intangible Assets	11	(282,540)	(10,950)
<b>Net Cash from Investing Activities</b>		<u>(36,844,080)</u>	<u>(48,228,768)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Loans repaid		(352,862)	(296,088)
<b>Net Cash from Financing Activities</b>		<u>(352,862)</u>	<u>(296,088)</u>
<b>NET (INCREASE) /DECREASE IN CASH AND CASH EQUIVALENTS</b>		<u>(15,285,464)</u>	<u>(3,356,939)</u>
Cash and Cash Equivalents at the beginning of the year		28,419,461	31,776,400
Cash and Cash Equivalents at the end of the year	32	13,133,998	28,419,461
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<u>(15,285,464)</u>	<u>(3,356,939)</u>

**EMALAHLENI MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017**

**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	2017 R	2017 R	2017 R	
	(Actual)	(Final Budget)	(Variance)	%
<b>ASSETS</b>				
Current assets				
Cash	2,873,942	-	2,873,942	100.00%
Call investment deposits	10,260,055	18,253,000	(7,992,945)	-43.79%
Consumer debtors	7,340,101	13,107,000	(5,766,899)	-44.00%
Other Receivables	13,232,665	-	13,232,665	100.00%
<b>Total current assets</b>	<b>33,706,763</b>	<b>31,360,000</b>	<b>2,346,763</b>	
Non current assets				
Investment property	4,154,287	4,247,000	(92,713)	-2.18%
Property, plant and equipment	411,828,235	421,009,000	(9,180,765)	-2.18%
Intangible Assets	308,838	204,000	104,838	51.39%
Heritage Assets	182,536	183,000	(464)	100.00%
<b>Total non current assets</b>	<b>416,473,896</b>	<b>425,642,000</b>	<b>(9,168,104)</b>	
<b>TOTAL ASSETS</b>	<b>450,180,659</b>	<b>457,002,000</b>	<b>(6,821,341)</b>	
<b>LIABILITIES</b>				
Current liabilities				
Borrowing	295,485	310,000	(14,515)	-4.68%
Trade and other payables	20,840,299	25,000,000	(4,159,701)	-16.64%
Provisions and Employee Benefits	20,242,505	19,246,000	996,505	5.18%
<b>Total current liabilities</b>	<b>41,378,290</b>	<b>44,556,000</b>	<b>(3,177,710)</b>	
Non current liabilities				
Borrowing	-	283,000	(283,000)	-100.00%
Provisions and Employee Benefits	6,877,628	7,745,000	(867,372)	-11.20%
<b>Total non current liabilities</b>	<b>6,877,628</b>	<b>8,028,000</b>	<b>(1,150,372)</b>	
<b>TOTAL LIABILITIES</b>	<b>48,255,918</b>	<b>52,584,000</b>	<b>(4,328,082)</b>	
<b>NET ASSETS</b>	<b>401,924,741</b>	<b>404,418,000</b>	<b>(2,493,259)</b>	-0.62%
<b>COMMUNITY WEALTH</b>				
Accumulated Surplus/(Deficit)	401,924,741	404,417,000	(2,492,259)	-0.62%
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>-01,924,741</b>	<b>404,417,000</b>	<b>-2,492,259</b>	-0

Explanations for material variances more than 10% of a specific line-item with a minimum of R2 million

No budget is made for cash on hand as excess amounts are invested  
Lesser funds than budgeted were available for investments

Decrease in debtors due to payments by debtors, write offs and amount being impaired

expected collection of these other receivables not achieved.

Decrease due to disposals and normal depreciation during the year  
Increase due to additions during the year

Decrease due to lesser creditors being owed at year end  
Actuarial estimates slightly above the budgeted amounts

Actuarial estimates slightly below the budgeted amounts

**EMALAHLENI MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017**

**ADJUSTMENTS TO APPROVED BUDGET**

	2017 R (Approved Budget)	2017 R (Adjustments)	2017 R (Final Budget)	%	Explanations for material variances more than 10% of a specific line-item with a minimum of R3 million
<b>ASSETS</b>					
<b>Current assets</b>					
Cash				0%	
Call investment deposits	34,768,000	18,253,000	18,253,000	-100%	Original Budget provided for a deficit
Consumer debtors	2,435,000	(21,661,000)	13,107,000	-62%	Original Budget overstated the Debtors balance
Other Receivables		(2,435,000)		-100%	Due to low collection rates
<b>Total current assets</b>	<b>37,203,000</b>	<b>(5,843,000)</b>	<b>31,360,000</b>		
<b>Non current assets</b>					
Investment property	6,434,000	(2,187,000)	4,247,000	-34%	Reduced as a result of disposals made
Property, plant and equipment	481,374,000	(60,365,000)	421,009,000	-13%	Reduced as a result of disposals made
Intangible Assets	104,000	100,000	204,000	96%	Increased due to Additions planned
Other Assets	183,000		183,000	100%	
<b>Total non current assets</b>	<b>488,089,000</b>	<b>(62,452,000)</b>	<b>425,637,000</b>		
<b>TOTAL ASSETS</b>	<b>525,297,000</b>	<b>(68,295,000)</b>	<b>457,002,000</b>		
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Bank overdraft	9,249,000	(9,249,000)		0%	Reversing the overdraft budgeted for
Trade and other payables	17,388,000	7,612,000	25,000,000	44%	Due to new capital projects started
Provisions and Employee Benefits	21,922,000	(2,676,000)	19,246,000	-12%	Correction of budget oversight
Borrowing	210,000	100,000	310,000	100%	Providing for a possible new lease
<b>Total current liabilities</b>	<b>48,769,000</b>	<b>(4,213,000)</b>	<b>44,556,000</b>		
<b>Non current liabilities</b>					
Borrowing	283,000		283,000	0%	
Provisions and Employee Benefits	6,645,000	1,100,000	7,745,000	17%	Correction of budget oversight
<b>Total non current liabilities</b>	<b>6,929,000</b>	<b>1,100,000</b>	<b>8,028,000</b>		
<b>TOTAL LIABILITIES</b>	<b>55,698,000</b>	<b>(3,113,000)</b>	<b>52,584,000</b>		
<b>NET ASSETS</b>	<b>469,599,000</b>	<b>(65,182,000)</b>	<b>404,417,000</b>	-14%	
<b>COMMUNITY WEALTH</b>					
Accumulated Surplus/(Deficit)	469,599,000	(65,182,000)	404,417,000	-14%	
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>469,599,000</b>	<b>(65,182,000)</b>	<b>404,417,000</b>		

**EMALAHLENI MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017**

**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	2017 R	2017 R	2017 R	
	(Actual)	(Adjustment Budget)	(Variance)	%
<b>REVENUE BY SOURCE</b>				
Property rates	4,146,296	4,315,664	(169,368)	-4.1%
Service charges	14,799,087	14,408,824	390,263	2.6%
Rentals of facilities and equipment	727,068	520,411	206,657	28.4%
Interest earned - external investments	2,312,551	2,307,446	5,205	0.2%
Interest earned - outstanding debtors	4,708,774	4,832,916	(124,142)	-2.6%
Fines	115,919	98,100	17,819	15.4%
Licences and permits	1,072,974	916,613	156,361	14.6%
Agency services	66,627	64,754	1,873	2.8%
Government Grants and Subsidies - Operating	132,075,105	131,853,900	221,205	0.2%
Gains on Sale of Fixed Assets	490,000	-	490,000	100.0%
Other revenue	2,101,969	692,597	1,409,372	67.1%
<b>Total Operating Revenue</b>	<b>162,616,471</b>	<b>160,011,225</b>	<b>2,605,246</b>	
<b>EXPENDITURE BY TYPE</b>				
Employee related costs	66,175,192	62,909,290	3,265,902	4.9%
Remuneration of councillors	11,184,958	11,337,000	(152,042)	-1.4%
Debt impairment	2,327,348	7,155,583	(4,828,235)	-207.5%
Bad debts written-off	5,079,096	-	5,079,096	100.0%
Depreciation & asset impairment	20,768,086	24,954,101	(4,186,017)	-20.2%
Finance charges	1,363,144	649,600	713,544	52.3%
Bulk purchases	12,948,236	13,745,175	(796,939)	-6.2%
Contracted services	6,282,007	3,800,000	2,482,007	39.5%
Other expenditure	59,951,843	68,565,062	(8,613,218)	-14.4%
Loss on disposal of PPE	1,244,154	-	1,244,154	
<b>Total Operating Expenditure</b>	<b>187,324,063</b>	<b>193,115,812</b>	<b>(5,791,749)</b>	<b>-3.1%</b>
<b>Operating Deficit for the year</b>	<b>(24,707,592)</b>	<b>(33,104,587)</b>	<b>8,396,995</b>	<b>-34.0%</b>
Government Grants and Subsidies - Capital	26,170,100	26,170,100	-	0.0%
<b>Net Surplus/(Deficit) for the year</b>	<b>1,462,508</b>	<b>(6,934,487)</b>	<b>8,396,995</b>	<b>574.2%</b>

Explanations for material variances more than 10% of a specific line-item with a minimum of R2 million

Data cleansing undertaken which also reduced duplicated accounts  
Improved collection rate

Data cleansing undertaken which also reduced duplicated accounts  
Traffic station fully functional after adjustments had been made

Traffic station fully functional after adjustments had been made  
Trade In values for purchased vehicles  
Auclual Gain not budgeted for

Provisions calculated using cost to company as opposed to budget which used basic and R+M reclassification

Portion included in Bad debts written off  
See above

Depreciation reduced due to more accurate asset register as compared to prior year  
Increase due to unwinding of discounted interest on the landfill site provision

Decrease due to credits received from Eskom  
Increase due to some Repairs and Maintenance been reclassified to this line  
R&M reclassified to other line items, also cost containments put in place

**EMALAHLENI MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017**

**ADJUSTMENTS TO APPROVED BUDGET**

	2017 R	2017 R	2017 R	2017 R	(Final Year-end Budget)	%	Explanations for material variances more than 10% of a specific line-item with a minimum of R1 million
<b>REVENUE BY SOURCE</b>							
Property rates	3,657,897	657,767	4,315,664	-	-	18%	Correction of new valuation rol
Service charges	12,903,446	1,505,378	14,408,824	-	-	12%	Improved collection rate
Rental of facilities and equipment	796,762	(276,351)	520,411	-	-	-35%	Decrease in expected rentals
Interest earned - external investments	2,326,516	(19,070)	2,307,446	-	-	-1%	
Interest earned - outstanding debtors	2,767,462	2,065,454	4,832,916	-	-	75%	Correction of initial estimate
Fines	123,345	(25,245)	98,100	-	-	-20%	Traffic Station delays in full operation
Licences and permits	832,599	84,015	916,613	-	-	10%	operating
Agency services	1,345,251	(1,280,487)	64,754	-	-	-95%	Correction of initial estimate
Government Grants and Subsidies	129,829,000	2,024,900	131,853,900	-	-	2%	Additional operating grants received
Other Revenue	487,651	204,946	692,597	-	-	42%	Expected increase in other income
Gains on Disposal of PPE	-	-	-	-	-	100%	
<b>Total Operating Revenue</b>	<b>155,068,928</b>	<b>4,941,297</b>	<b>160,011,225</b>	<b>-</b>	<b>-</b>	<b>3%</b>	
<b>EXPENDITURE BY TYPE</b>							
Employee related costs	62,515,448	393,842	62,909,290	-	-	1%	Unfilled funded posts
Remuneration of councillors	11,727,702	(390,702)	11,337,000	-	-	-3%	Alignment to the Circular
Debt impairment	2,526,107	4,629,477	7,155,583	-	-	183%	Correcting initial estimate (under provision)
Depreciation & asset impairment	24,996,938	(42,835)	24,954,103	-	-	0%	
Finance charges	849,600	(200,000)	649,600	-	-	-24%	Estimated lower than initial provision
Bulk purchases	18,650,000	(4,904,825)	13,745,175	-	-	-26%	Correcting as per estimated savings from Eskom
Contracted services	3,956,000	(156,000)	3,800,000	-	-	-4%	engagements
Other expenditure	62,504,854	6,060,208	68,565,062	-	-	10%	Estimated increase in general expenses
Loss on disposal of PPE	-	-	-	-	-		
<b>Total Operating Expenditure</b>	<b>187,775,648</b>	<b>5,389,164</b>	<b>193,115,812</b>	<b>-</b>	<b>-</b>	<b>3%</b>	
<b>Operating Deficit for the year</b>	<b>(32,656,720)</b>	<b>(447,867)</b>	<b>(33,104,587)</b>	<b>-</b>	<b>-</b>	<b>1%</b>	
Government Grants and Subsidies - Capital	32,670,000	(6,499,900)	26,170,100	-	-	0%	Correct for an amount withheld by Treasury
<b>Net Surplus/(Deficit) for the year</b>	<b>13,280</b>	<b>(6,947,767)</b>	<b>(6,934,487)</b>	<b>-</b>	<b>-</b>	<b>-52317%</b>	

**EMALAHLENI MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2017**

**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	2017 R	2017 R	2017 R	
	(Actual)	(Final Budget)	(Variance)	%
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Ratepayers and other	19,852,874	14,658,000	5,194,874	35%
Government - operating	132,075,105	132,454,000	(378,895)	0%
Government - capital	26,170,100	26,170,100	-	0%
Interest	7,021,425	4,707,000	2,314,425	49%
<b>Payments</b>				
Suppliers and Employees	(161,844,882)	(157,410,000)	(4,434,882)	3%
Finance charges	(1,363,144)	(850,000)	(513,144)	60%
Transfers and Grants	-	-	-	-
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>21,911,479</b>	<b>19,729,100</b>	<b>-</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Payments</b>				
Capital assets	(36,844,080)	(36,632,000)	(212,080)	1%
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(36,844,080)</b>	<b>(36,632,000)</b>	<b>-212,080</b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>Payments</b>				
Repayment of borrowing	(352,862)	(263,000)	(89,862)	34%
	(352,862)	(263,000)	-89,862	
	(15,285,464)	(17,166,900)	-301,943	
Cash and Cash Equivalents at the beginning of the year	28,419,461	28,419,000	461	0%
Cash and Cash Equivalents at the end of the year	13,133,998	18,254,000	(5,120,002)	-28%

Explanations for material variances more than 10% of a specific line-item with a minimum of R1 million

Improved Collection rate

Funds with held by NT

Improved Collection rate

Increase in supplier payments due to new projects

Difference considered reasonable

No new leases take and older ones being settled

More funds used on capital projects

**EMALAHLENI MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2017**

**ADJUSTMENTS TO APPROVED BUDGET**

	2017 R	2017 R	2017 R	
	(Approved Budget)	(Adjustments)	(Final Budget)	%
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Ratepayers and other	12,719,000	1,939,000	14,658,000	15%
Government - operating	129,829,000	2,625,000	132,454,000	2%
Government - capital	32,670,000	(6,499,900)	26,170,100	-20%
Interest	3,784,000	923,000	4,707,000	24%
<b>Payments</b>				
Suppliers and Employees	(158,575,000)	20,420,000	(138,155,000)	-13%
Finance charges	(850,000)	-	(850,000)	0%
Transfers and Grants	(3,672,000)	(15,583,000)	(19,255,000)	424%
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>15,905,000</b>	<b>3,824,100</b>	<b>19,729,100</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Payments</b>				
Capital assets	(41,470,000)	4,838,000	(36,632,000)	-12%
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(41,470,000)</b>	<b>4,838,000</b>	<b>(36,632,000)</b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>Payments</b>				
Repayment of borrowing	(263,000)	-	(263,000)	0%
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(263,000)</b>	<b>-</b>	<b>(263,000)</b>	
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>(25,828,000)</b>	<b>8,662,100</b>	<b>(17,166,900)</b>	
Cash and Cash Equivalents at the beginning of the year	16,578,000	11,841,000	28,419,000	71%
Cash and Cash Equivalents at the end of the year	(9,249,000)	27,503,000	18,254,000	-297%

Correcting budget to agree to opening balance  
Expected closing balance based on payment history and current budgets

## **1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS**

### **1.1. BASIS OF PREPARATION**

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

The Municipality resolved to early adopt the following GRAP standards which have been issued but are not effective yet.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

### **1.2. PRESENTATION CURRENCY**

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand.

### **1.3. GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on a going concern basis.



---

#### **1.4. COMPARATIVE INFORMATION**

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

#### **1.5. AMENDED DISCLOSURE POLICY**

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the annual financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

#### **1.6. MATERIALITY**

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the annual financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

#### **1.7. PRESENTATION OF BUDGET INFORMATION**

The presentation of budget information is prepared in accordance with GRAP 24 and based on the Municipal Budget and Reporting Regulations format. The comparison of budget and actual amounts are disclosed as separate additional financial statements, namely Statements of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2014 to 30 June 2015. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Statements of Comparison of Budget and Actual Amounts.

Explanations for material differences between the final budget amounts and actual amounts are included in the Statements of Comparison of Budget and Actual Amounts. Material differences are being defined by Management as 10% of a specific line-item with a minimum of R1 million.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

**EMALAHLENI MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

GRAP 18 Segment Reporting is effective from 1 April 2015. The implementation of GRAP 18 is delayed, in terms of Directive 5, for municipalities for the 2015/16 financial year.

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

<b>Standard</b>	<b>Description</b>	<b>Effective Date</b>
<b>GRAP 20 (Original – June 2011)</b>	<p><b>Related Party Disclosure</b></p> <p>The objective of this Standard is to ensure that an Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to formulate an accounting policy based on the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	<b>Unknown</b>
<b>GRAP 32 (Original – Aug 2013)</b>	<p><b>Service Concession Arrangements: Grantor</b></p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	<b>Unknown</b>
<b>GRAP 105 (Original – Nov 2010)</b>	<p><b>Transfer of Functions Between Entities Under Common Control</b></p> <p>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions and no such transactions or events are expected in the foreseeable future.</p>	<b>1 April 2015</b>
<b>GRAP 106 (Original – Nov 2010)</b>	<p><b>Transfer of Functions Between Entities Not Under Common Control</b></p> <p>The objective of this Standard is to establish accounting principles for the acquirer in a transfer of</p>	<b>1 April 2015</b>

**EMALAHLENI MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	<p>functions between entities not under common control.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions and no such transactions or events are expected in the foreseeable future.</p>	
<b>GRAP 107</b> <b>(Original – Nov 2010)</b>	<p><b>Mergers</b></p> <p>The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions and no such transactions or events are expected in the foreseeable future.</p>	<b>1 April 2015</b>
<b>GRAP 108</b> <b>(Original – Sept 2013)</b>	<p><b>Statutory Receivables</b></p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> <p>The Municipality has resolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy.</p>	<b>Unknown</b>
<b>IGRAP 11</b>	<p><b>Consolidation - Special Purpose Entities (SPE)</b></p> <p>The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE.</p> <p>No significant impact is expected as the Municipality does not have any SPE's at this stage.</p>	<b>1 April 2015</b>
<b>IGRAP 12</b>	<p><b>Jointly Controlled Entities non-monetary contributions</b></p> <p>The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE).</p> <p>No significant impact is expected as the Municipality does not have any JCE's at this stage.</p>	<b>1 April 2015</b>

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

**1.9. LEASES**

**1.9.1 Municipality as Lessee**

## EMALAHLENI MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

#### **1.9.2 Municipality as Lessor**

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality recognises the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

#### **1.10. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

## EMALAHLENI MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

#### 1.11. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provisions are set for the creation and utilisation of grant receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

#### 1.12. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

## EMALAHLENI MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

---

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
  - the principal locations affected;
  - the location, function and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is de-recognised.

#### **1.13. EMPLOYEE BENEFITS**

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

##### **1.13.1 Post-Retirement Medical Obligations**

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. For retired members, Council pays 70% as contribution and the remaining 30% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance

## *EMALAHLENI MUNICIPALITY*

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

---

in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

#### **1.13.2 Long Service Awards**

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically, unless circumstances change significantly in which case it is done annually, by independent qualified actuaries.

#### **1.13.3 Staff Leave accrued**

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term. Unused leave is being capped at 48 days.

Accumulated leave is vesting.

#### **1.13.4 Staff Bonuses Accrued**

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

#### **1.13.5 Provision for Performance Bonuses**

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrue to Section 57 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

#### **1.13.6 Pension and retirement fund obligations**

The Municipality provides retirement benefits for its employees and councillors.

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

---

The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable.

The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the Statement of Financial Performance in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

#### **1.13.7 Other Short-term Employee Benefits**

When an employee has rendered service to the Municipality during a reporting period, the Municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

#### **1.14. BORROWING COSTS**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset.

The amount of borrowing costs that the Municipality capitalises during a period does not exceed the amount of borrowing costs it incurred during that period. The Municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

#### **1.15. PROPERTY, PLANT AND EQUIPMENT**

##### **1.15.1 Initial Recognition**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as



## EMALAHLENI MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

#### **1.15.2 Subsequent Measurement – Cost Model**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

#### **1.15.3 Depreciation and Impairment**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The annual depreciation rates are based on the following estimated useful lives:

**EMALAHLENI MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

<b>Asset Class</b>	<b>Asset Sub-grouping</b>	<b>Useful Life (Yrs)</b>
Land	None	Indefinite
Buildings	None	5 - 100
Infrastructure	Landfill Site	10 – 100
	Electricity	1 – 75
	Roads	1-120
	Security Measures	1 – 50
	Cemeteries & Fencing	1 – 100
Community Assets	Halls	5 -100
	Library	5- 100
	Buildings Other	5–100
	Parks and Gardens	1 - 50
	Sport fields and Stadia	1- 100
	None	1 - 10
Leased Asset	None	Indefinite
Heritage	Computer Hardware	1 – 25
Other Assets	Plant and Equipment	1 – 25
	Furniture and Other Office Equipment	1 – 40
	Markets	1 - 35
	Vehicles and Specialised Vehicles	1 – 55

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

#### **1.15.4 De-recognition**

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### **1.15.5 Land and buildings and Other Assets – application of deemed cost (Directive 7)**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2010. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2010.

---

**1.16. INTANGIBLE ASSETS**

**1.16.1 Initial Recognition**

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Municipality intends to do so; or
- arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project;
- it is probable that the Municipality will receive future economic benefits or service potential; and
- the Municipality can measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

**1.16.2 Subsequent Measurement – Cost Model**

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

**1.16.3 Amortisation and Impairment**

Amortisation is charged so as to write off the cost or valuation of intangible assets over its estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	2 - 10
Computer Software Licenses	2 - 10

#### **1.16.4 De-recognition**

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### **1.16.5 Application of deemed cost (Directive 7)**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2010.

### **1.17. INVESTMENT PROPERTY**

#### **1.17.1 Initial Recognition**

Investment property is recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

## EMALAHLENI MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

#### **1.17.2 Subsequent Measurement – Cost Model**

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

#### **1.17.3 Depreciation and Impairment – Cost Model**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	20 - 100

#### **1.17.4 De-recognition**

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### **1.17.5 Application of deemed cost - Directive 7**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2010.

### **1.18. HERITAGE ASSETS**

#### **1.18.1 Initial Recognition**

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset, is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

#### **1.18.2 Subsequent Measurement – Cost Model**

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

#### **1.18.3 Depreciation and Impairment**

Heritage assets are not depreciated

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

#### **1.18.4 De-recognition**

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

#### **1.18.5 Application of deemed cost - Directive 7**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2010.

### **1.19. IMPAIRMENT OF NON-FINANCIAL ASSETS**

#### **1.19.1 Cash-generating assets**

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

- (a) External sources of information

## EMALAHLENI MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

---

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

#### (b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur

when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If

such indication exists, the Municipality estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

#### **1.19.2 Non-cash-generating assets**

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- A decision to halt the construction of the asset before it is complete or in a usable condition.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss is recognised in the Statement of Financial Performance.



## EMALAHLENI MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

## 1.20. INVENTORIES

### 1.20.1 Initial Recognition

## EMALAHLENI MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

#### **1.20.2 Subsequent Measurement**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the weighted average method.

#### **1.21. FINANCIAL INSTRUMENTS**

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions) and non-current investments. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

##### **1.21.1 Initial Recognition**

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

##### **1.21.2 Subsequent Measurement**

## EMALAHLENI MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

#### 1.21.2.1 Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics

and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

#### 1.21.2.2 Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value

## EMALAHLENI MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

#### 1.21.2.3 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

#### 1.21.2.4 Non-Current Investments

Investments which include investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

#### 1.21.3 **De-recognition of Financial Instruments**

##### 1.21.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

## EMALAHLENI MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

#### 1.21.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

#### 1.21.4 *Offsetting of Financial Instruments*

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### 1.22 STATUTORY RECEIVABLES

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

#### 1.22.1 Initial Recognition

Statutory receivables are recognised when the related revenue is recognised.

#### 1.22.2 Measurement

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

- (a) interest or other charges that may have accrued on the receivable;
- (b) impairment losses; and
- (c) amounts derecognised.

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference

## EMALAHLENI MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

#### 1.22.3 Derecognition

The Municipality derecognises a statutory receivable when:

- (a) the rights to the cash flows from the receivable are settled, expire or are waived;
- (b) the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- (c) the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality:
  - (i) derecognise the receivable; and
  - (ii) recognise separately any rights and obligations created or retained in the transfer.

#### 1.23. REVENUE

##### 1.23.1 *Revenue from Non-Exchange Transactions*

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such

## EMALAHLENI MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in terms of IGRAP 1, as there is no intention of collecting this revenue.

Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. Historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months, in which case it will be expensed.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

#### **1.23.2 Revenue from Exchange Transactions**

## EMALAHLENI MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to electricity is based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.



## EMALAHLENI MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue from the sale of goods is recognised when:

- Substantially all the risks and rewards in those goods are passed to the consumer; and
- The municipality seizes managerial involvement and control of the goods; and
- The amount of the revenue can be measured reliably; and
- It is probable that economic benefits or service potential associated with the transaction will flow to the municipality; and
- The costs incurred or to be incurred can be measured reliably.

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the Municipality as compensation for executing the agreed services.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the Municipality and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable.

However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating;
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

#### 1.24. RELATED PARTIES

## EMALAHLENI MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

---

The Municipality resolved to formulate an accounting policy based on the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person's family is related to the Municipality if that person:
- has control or joint control over the Municipality.
  - has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
  - is a member of the management of the Municipality or its controlling entity.
- (b) An entity is related to the Municipality if any of the following conditions apply:
- the entity is a member of the same Municipality (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an Municipality of which the other entity is a member).
  - both entities are joint ventures of the same third party.
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
  - the entity is controlled or jointly controlled by a person identified in (a).
  - a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as “Key Management”) includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

## EMALAHLENI MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

---

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an Municipality who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

#### **1.25. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **1.26. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.27. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.28. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability. A Contingent assets usually arise from unplanned or other unexpected events that are not wholly within the control of the entity and give rise to the possibility of an inflow of economic benefits or service potential to the entity.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities and assets.

**1.29. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the annual financial statements:

**1.29.1 *Post-retirement medical obligations and Long service awards***

The cost of post-retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 3 of the annual financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

**1.29.2 *Impairment of Receivables***

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

**1.29.3 *Property, Plant and Equipment***

## EMALAHLENI MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

#### **1.29.4 Intangible Assets**

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the asset.

**1.29.5 Provisions and Contingent Liabilities**

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

**1.29.6 Investment Property**

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

**1.29.7 Revenue Recognition**

Accounting Policy 1.23.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.23.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

**1.29.8 Provision for Landfill Sites**

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are recognised in the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

**1.29.9 Staff leave accrued**

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated. Unused leave is being capped at 48 days.

**1.29.10 Provision for Performance bonuses**

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

**1.29.11 Pre-paid electricity estimation**

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year-end that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using 5 days' worth of unused electricity.

**1.29.12 Componentisation of Infrastructure assets**

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

**1.29.13 Impairments of assets – Capitalised Restoration Cost**

Impairment charges relating to capitalised restoration costs are linked to fluctuations in the discount rate used to unwind the provision relating to this asset. This discount rate is linked to the prime interest rate and any movement in this rate will result in the impairment/reversal of impairment of the asset.

**1.30. TAXES – VALUE ADDED TAX**

## ***EMALAHLENI MUNICIPALITY***

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

---

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

#### **1.31. CAPITAL COMMITMENTS**

Capital commitments disclosed in the annual financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

#### **1.32. EVENTS AFTER REPORTING DATE**

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the annual financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

#### **1.33. DISCONTINUED OPERATIONS**

Discontinued operation is a component of the Municipality that has been disposed of and:

- represents a distinguishable activity, group of activities or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a distinguishable activity, group of activities or geographical area of operations; or
- is a controlled entity acquired exclusively with a view to resale.

To qualify as a discontinued operation, the disposal must occur within a single co-ordinated plan. Once the disposal plan has been approved, the Municipality reclassifies all related assets and liabilities associated with the discontinued operations as a separate line-item in the Statement of Financial Position. The Municipality subsequently measures and account for assets and liabilities associated with discontinued operations in accordance with the respective Standards of GRAP applicable to that asset or liability.

All revenue and expenditure associated with the discontinued operations is disclosed as a one line-item in the Statement of Financial Performance. Detail of the revenue and expenditure associated with the discontinued operations is disclosed in the notes.



EMALAHLENI MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2

LONG-TERM LIABILITIES

Capitalised Lease Liability - At amortised cost  
Hire Purchase

2017  
R

2016  
R

Less: Current Portion transferred to Current Liabilities

Capitalised Lease Liability - At amortised cost  
Hire Purchase

Total Long-term Liabilities - At amortised cost

295 485	575 286
73 063	
295 485	648 349
295 485	352 864
295 485	279 801
73 063	
-	295 485

The obligations under finance leases are scheduled below:

Minimum  
lease payments

Amounts payable under finance leases:

Payable within one year  
Payable within two to five years  
Payable after five years

320 076	352 890
-	320 076
-	-
320 076	672 965
(24 591)	(97 679)
295 485	575 286

Less: Future finance obligations

Present value of lease obligations

The capitalised lease liability consist out of the following contracts:

Supplier	Description of leased item	Effective interest rate	Annual Escalation	Lease Term	Maturity Date
Aloe Office and Business Solutions 1 x Xerox D95A CP PRO		17.39%	0%	3 Years	26/05/2018
Aloe Office and Business Solutions 2 x Xerox 7870 CPSF		17.72%	0%	3 Years	11/06/2018
Aloe Office and Business Solutions 5 x Xerox 5325 CPSF		17.39%	0%	3 Years	26/05/2018
Aloe Office and Business Solutions 8 x Xerox 6505 CPSF		17.39%	0%	3 Years	26/05/2018
Aloe Office and Business Solutions 2 x FASTBACK MODL 20		9.75%	0%	2.5 Years	29/04/2018

The obligations under hire purchase agreements are scheduled below:

Minimum  
hire purchase payments

Amounts payable under hire purchase agreements:

Payable within one year  
Payable within two to five years  
Payable after five years

-	76 491
-	-
-	-
-	76 491
-	(3 429)
-	73 063

Less: Future finance obligations

Present value of hire purchase obligations

The capitalised hire purchase liability consist out of the following contracts:

Supplier	Description of leased item	Effective interest rate	Annual Escalation	Lease Term	Maturity Date
Standard Bank	NISSAN QASHQAI	9.25%	0%	5 Years	15/05/2017

EMALAHLENI MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

<b>3 EMPLOYEE BENEFITS</b>	<b>2017</b>	<b>2016</b>
	<b>R</b>	<b>R</b>
Post Retirement Benefits - Refer to Note 3.1	5 771 047	5 156 680
Long Service Awards - Refer to Note 3.2	1 706 579	1 376 055
<b>Total Non-current Employee Benefit Liabilities</b>	<b>6 877 627</b>	<b>6 532 735</b>
 <u><b>Post Retirement Benefits</b></u>	 <b>2017</b>	 <b>2016</b>
	<b>R</b>	<b>R</b>
Balance 1 July	5 203 204	4 346 117
Contribution for the year	718 360	601 840
Interest Cost	476 574	400 101
Expenditure for the year	(63 407)	(60 651)
Actuarial Gain	(1 108 621)	(84 203)
<b>Total post retirement benefits 30 June</b>	<b>5 224 110</b>	<b>5 203 204</b>
<b>Less:</b> Transfer of Current Portion - Note 5	<b>(53 063)</b>	<b>(46 524)</b>
<b>Balance 30 June</b>	<b>5 171 047</b>	<b>5 156 680</b>
 <u><b>Long Service Awards</b></u>		
Balance 1 July	1 605 773	1 402 424
Contribution for the year	381 946	281 148
Interest Cost	125 638	101 918
Expenditure for the year	(96 574)	(99 352)
Actuarial Loss/(Gain)	(169 927)	(80 365)
<b>Total long service 30 June</b>	<b>1 846 855</b>	<b>1 605 773</b>
<b>Less:</b> Transfer of Current Portion - Note 5	<b>(140 276)</b>	<b>(229 719)</b>
<b>Balance 30 June</b>	<b>1 706 579</b>	<b>1 376 055</b>
 <u><b>TOTAL NON-CURRENT EMPLOYEE BENEFITS</b></u>		
Balance 1 July	6 808 977	5 748 541
Contribution for the year	1 098 306	882 988
Interest cost	602 212	502 019
Expenditure for the year	(159 981)	(160 003)
Actuarial Loss/(Gain)	(1 278 548)	(164 568)
<b>Total employee benefits 30 June</b>	<b>7 070 968</b>	<b>6 808 977</b>
<b>Less:</b> Transfer of Current Portion - Note 5	<b>(193 339)</b>	<b>(276 242)</b>
<b>Balance 30 June</b>	<b>6 877 627</b>	<b>6 532 735</b>
 <b>3.1 Post Retirement Benefits</b>		
The Post Retirement Benefit Plan is a defined contribution plan, of which the members are made up as follows		
In service (employee) members	87	87
In service (employee) non-members	125	108
Continuation members (e.g. Retirees, widows, orphans)	2	2
<b>Total Members</b>	<b>214</b>	<b>197</b>
The liability in respect of past service has been estimated to be as follows		
In-service members	3 277 195	3 298 654
In-service non-members	1 136 202	1 097 831
Continuation members	810 712	806 719
<b>Total Liability</b>	<b>5 224 110</b>	<b>5 203 204</b>
The liability in respect of periods commencing prior to the comparative year has been estimated as follows		
	<b>2017</b>	<b>2016</b>
	<b>R</b>	<b>R</b>
In-service members	4 192 116	4 533 826
In-service non-members	1 009 782	6 866 46
Continuation members	291 804	
<b>Total Liability</b>	<b>5 493 702</b>	<b>5 220 472</b>
Experience adjustments were calculated as follows	<b>2017</b>	<b>2016</b>
	<b>Rm</b>	<b>Rm</b>
Liabilities (Gain) / loss	(0 232)	(0 082)
		(0 914)

EMALAHLENI MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

EMPLOYEE BENEFITS (CONTINUED)

2017

2016

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bontas  
Hosmed  
LA Health  
Samwumed  
Key Health

Key actuarial assumptions used:

%

%

i) Rate of interest

Discount rate  
Health Care Cost Inflation Rate  
Net Effective Discount Rate

9.98%

8.24%

1.61%

9.20%

8.29%

0.84%

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping".

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age, was used by the actuaries.

iii) Normal retirement age

It has been assumed that in-service members will retire at age 60 for females and 65 for males, which then implicitly allows for expected rates of early and ill-health retirement.

R

R

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations

5 224 110

5 203 204

Total Liability

5 224 110

5 203 204

The fund is entirely unfunded.

The municipality has elected to recognise the full increase in this defined contribution liability immediately as per GRAP 25.

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year

5 203 204

4 346 117

Total expenses

1 129 527

941 290

Current service cost

716 360

601 640

Interest Cost

476 574

430 101

Benefits Paid

(63 407)

(60 651)

Actuarial (gains)/losses

(1 108 621)

(84 203)

Present value of fund obligation at the end of the year

5 224 110

5 203 204

Less: Transfer of Current Portion - Note 5

(53 063)

(46 524)

Balance 30 June

5 171 047

5 156 680

Sensitivity Analysis on the Accrued Liability

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)
Central Assumptions	4 413	811	5 224

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation	1%	5 416	0 897	6 313	21%
Health care inflation	-1%	3 630	0 736	4 366	16%
Discount Rate	1%	3 647	0 738	4 385	16%
Discount Rate	-1%	5 408	0 896	6 304	21%
Post-retirement mortality	-1 year	4 561	0 839	5 400	3%
Average retirement age	-1 year	4 846	0 811	5 657	8%
Continuation of membership at retirement	-10%	3 503	0 811	4 314	-17%

Assumption	Change	Current-service Cost (R)	Interest Cost (R)	Total (R)	% change
Central Assumption		716 400	476 500	1 193 000	
Health care inflation	1%	838 500	576 500	1 415 000	24%
Health care inflation	-1%	577 100	397 700	974 800	-18%
Discount Rate	1%	584 500	442 300	1 026 800	-14%
Discount Rate	-1%	890 500	514 000	1 404 500	18%
Post-retirement mortality	-1 year	742 500	494 200	1 236 700	4%
Average retirement age	-1 year	741 400	520 200	1 261 600	6%
Continuation of membership at retirement	-10%	568 600	394 500	963 100	-19%

EMALAHLENI MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

<b>32 EMPLOYEE BENEFITS (CONTINUED)</b>	<b>2017</b>	<b>2016</b>
<b>Long Service Bonuses</b>		
The Long Service Bonus plans are defined benefit plans		
As at year end, the following number of employees were eligible for Long Service Bonuses	212	195
Key actuarial assumptions used	2017 %	2016 %
i) Rate of interest		
Discount rate	8.34%	8.41%
General Salary Inflation (long-term)	6.16%	7.08%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	2.05%	1.25%
The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"		
The amounts recognised in the Statement of Financial Position are as follows:	R	R
Present value of fund obligations	1 846 855	1 605 773
Net liability	<u>1 846 855</u>	<u>1 605 773</u>
The liability in respect of periods commencing prior to the comparative year has been estimated as	2015 R	2014 R
Total Liability	<u>1 711 418</u>	<u>1 453 534</u>
Experience adjustments were calculated as follows	2017 R	2016 R
Liabilities (Gain) / loss	(70 165)	(33 788)
The municipality performed their first actuarial valuation on 30 June 2012. Thus there are no experience adjustment figures available on or before 30 June 2012 to fully comply with GRAP 25	2015 R	2014 R
	<u>88 604</u>	
Reconciliation of present value of fund obligation:	R	R
Present value of fund obligation at the beginning of the year	1 605 773	1 402 424
Total expenses	411 010	283 714
Current service cost	381 946	281 148
Interest Cost	125 638	101 918
Benefits Paid	(96 574)	(99 352)
Actuarial (gains)/losses	(169 927)	(80 365)
Present value of fund obligation at the end of the year	<u>1 846 856</u>	<u>1 605 773</u>
Less: Transfer of Current Portion - Note 5	(140,276)	(229,718)
Balance 30 June	<u>1 706 580</u>	<u>1 376 055</u>
Sensitivity Analysis on the Unfunded Accrued Liability		
Assumption	Change	Liability (R)
Central assumptions		1 847
General salary inflation	1.00%	1 953
General salary inflation	-1.00%	1 749
Discount Rate	1.00%	1 746
Discount Rate	-1.00%	1 959
Average retirement age	-2 yrs	1 737
Average retirement age	+2 yrs	1 906
Withdrawal rates	-50.00%	2 259
		22%

EMPLOYEE BENEFITS (CONTINUED)

3.3 Retirement funds

2017

2016

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund and SALA are Multi-Employer funds as defined, it will be accounted for as defined contribution plans. All the required disclosure has been made as defined in GRAP 25.31.

CAPE JOINT RETIREMENT FUND	Contributing members
The contribution rate payable is 9% by members and 15% by Council	159

Contributions paid recognised in the Statement of Financial Performance

R  
4,704,055

R  
3,593,856

DEFINED CONTRIBUTION FUNDS

Council contribute to the South African Local Authorities Pension Fund, Municipal Councillors Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

	Last Actuarial Valuation	Contributing members
South African Local Authorities Pension Fund	2015/06/30	18
Municipal Councillors Pension Fund	2015/06/30	30
SAMWU National Provident Fund	2015/06/30	39

The last actuarial valuation performed for the year ended 30 June 2015 revealed that the fund is in a sound financial position with a funding level of 100% (30 June 2014 - 106.2%).

The MCPF is financially sound as per the actuarial valuation report at 30 June 2015 with a funding level of 100%.

The results of the actuarial valuations dated 30 June 2015 for SAMWU National Provident Fund were not yet available.

Contributions paid recognised in the Statement of Financial Performance

SALA Pension Fund  
Municipal Councillors Pension Fund  
SAMWU National Provident Fund

417,187  
1,213,042  
870,397

469,162  
899,359  
821,241

2,500,626

2,189,762

**EMALAHLENI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**34 Provision for Ex-Gratia payment- CFO**

Balance at beginning of year	172 014	157 642
Contribution to current portion		44 472
Transfer to revenue	(172 014)	
Balance at end of year		172 014

In terms of the section 57 Employment contract of the Chief Financial Officer, an amount of 15% of his total package must be paid to him at the time of termination of employment

**4 NON-CURRENT PROVISIONS**

**Provision for Rehabilitation of Landfill sites**

**Total Non-current Provisions**

2017 R	2016 R
0	(0)
0	(0)

The Municipality operate on three landfill sites. The in year actual operational costs is expensed in the statement of financial performance. The provision is calculated in order to finance the rehabilitation cost of each cell when it reaches 100% capacity. The expected cash flow outflow, within one year, relates to all three sites of the case of all three sites there is already a shortcoming in the day to day operations of the sites these cost is represented by the short term portion of the non-current provision. The landfill sites in operation are Lady Frere, Dordrecht and Indwe.

**Landfill Sites**

	R	R
Balance 1 July	10 525 917	11 514 635
Increase in Estimate		
Unwinding of discounted interest	684 414	(988 718)
Total provision 30 June	11 210 331	10 525 917
Transfer to Current provisions	(11 210 331)	(10 525 917)
Balance 30 June	0	(0)

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life. Total cost of rehabilitation of the current cell in operation and estimated date of decommission of the cell are as follows:

Location	Estimated decommission date	Rehabilitation cost of cell in use	Rehabilitation cost of cell in use
		R	R
Lady Frere landfill site is located approximately 20km west off Indwe road R 394	30/06/2018	3 839 437	3 607 207
Dordrecht landfill site is located off R56 about 900m after the Dordrecht town to Queenstown Route	11/09/2016	5 601 624	5 281 506
Indwe landfill site is located east off R56 approximately 260m before the town of Indwe	31/12/2020	1 769 070	1 657 204
		11 210 331	10 525 917

**Material Assumptions used**

Area of landfill site consumed	2015	2016	2017
Lady Frere landfill site is located approximately 20km west off Indwe road R 394	100 00%	100 00%	100 00%
Dordrecht landfill site is located off R56 about 900m after the Dordrecht town to Queenstown Route	100 00%	100 00%	100 00%
Indwe landfill site is located east off R56 approximately 260m before the town of Indwe	100 00%	100 00%	100 00%

The discount rate used to calculate the present value of the rehabilitation costs at each reporting period is based on a calculated risk free rate as determined by the municipality. This rate is in line with a competitive investment rate the municipality can obtain from an A grade financial institution. This rate used is also within the inflation target range of the South African Reserve Bank of between 3% to 6%.

EMALAHLENI MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

**CURRENT EMPLOYEE BENEFITS**

	2017 R	2016 R
Current Portion of Post Retirement Benefits - Note 3	53 063	48 624
Current Portion of Long Service Pensions - Note 3	140 276	229 718
Staff leave accrued	5 974 778	4 772 464
Provision for Performance Bonuses	1 078 808	980 735
Staff Bonuses accrued	1 429 596	1 160 793
Provision for Compensation for injuries on duty contribution	355 653	354 609
<b>Total Current Employee Benefits</b>	<b>9 032 174</b>	<b>7 544 844</b>

The movement in current employee benefits is reconciled as follows:

**Staff leave accrued**

Balance at beginning of year	4 772 464	4 484 110
Contribution to current portion	2 321 669	702 667
Expenditure incurred	(1 119 355)	(414 313)
<b>Balance at end of year</b>	<b>5 974 778</b>	<b>4 772 464</b>

Staff leave accrued to employees according to collective agreement. An accrual is made for the full cost of accrued leave at reporting date. The accrual will be realised as employees take leave. There is a possibility of reimbursement based on trends in the past.

**Provision for Performance Bonuses**

Balance at beginning of year	980 735	720 918
Contribution to current portion	1 078 808	1 031 547
Expenditure incurred	(980 735)	(771 730)
<b>Balance at end of year</b>	<b>1 078 808</b>	<b>980 735</b>

Performance bonuses are being paid to Municipal Manager and Directors after an evaluation of performance by the Council.

**Staff Bonuses accrued**

Balance at beginning of year	1 160 793	943 465
Contribution to current portion	2 944 805	2 230 296
Expenditure incurred	(2 676 003)	(2 012 968)
<b>Balance at end of year</b>	<b>1 429 595</b>	<b>1 160 793</b>

Bonuses are being paid to all permanent employed municipal staff, excluding section 57 Managers. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle.

**Provision for Compensation for injuries on duty contribution**

Balance at beginning of year	354 609	737 054
Contribution to current portion	370 522	374 837
Expenditure incurred	(369 479)	(757 282)
<b>Balance at end of year</b>	<b>355 652</b>	<b>354 609</b>

The balance on the compensation for injuries on duty contribution represents the current liability of the municipality that has not yet been paid over to the relevant authorities. The balance represents the best estimate the outflow of resources. The timing and amount of the outflow is dependant on when an assessment is received from the relevant authorities.

**PAYABLES FROM EXCHANGE TRANSACTIONS**

Trade Payables	14 121 134	16 083 803
Third party payables (Payroll)	1 343 359	46 145
Pre-paid electricity paid in advance	175 442	210 486
Advance payments debtors billing	504 265	1 247 469
Retentions and Guarantees	3 803 872	4 134 813
Sundry Deposits	35 520	21 640
Sundry Creditors	56 206	94 608
<b>Total Trade Payables</b>	<b>20,039,799</b>	<b>21,838,963</b>

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

The carrying value of trade and other payables approximates its fair value. All payables are unsecured. Sundry deposits include bank, tender and other general deposits. The Municipality did not default on any of their payables.

**7 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

**Unspent Grants**

National Government Grants  
Provincial Government Grants  
District Municipality

**Less: Unpaid Grants**

National Government Grants  
Provincial Government Grants  
District Municipality

**Total Conditional Grants and Receipts**

R	R
800 500	1 157 442
800 500	1 157 442
(631 866)	
1 205 102	
486 764	
(891 366)	1 157 442

See appendix "D" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

**8 VAT**

**8.1 VAT PAYABLE**

VAT Payable  
Less: Impairment of VAT receivables

**Total Vat payable**

R	R
3 145 747	3 654 219
(1 337 006)	(801 520)
<b>1,808,741</b>	<b>2,852,699</b>

**8.2 VAT RECEIVABLE**

VAT Receivable

**Total VAT receivable**

13 271 060	8 880 234
<b>13,271,060</b>	<b>8,880,234</b>

**8.3 NET VAT RECEIVABLE/(PAYABLE)**

<b>11,462,319</b>	<b>8,027,535</b>
-------------------	------------------

VAT is receivable/payable on the cash basis.





[illegible]

EMALAHLENI MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

		2017	2016
		R	R
9	PROPERTY, PLANT AND EQUIPMENT (CONTINUED)		
9.1	No assets pledged as security		
9.2	Impairment of property plant and equipment for the year		
	Impairment charges on Property plant and equipment recognised in statement of financial performance	-	-
	Reversal of impairment charges took place during the year of reporting	-	635,644
	Cumulative impairment charges included in major balances	11,347,162	11,347,162
	The effect of a change in accounting estimate will have on the current period and subsequent periods:		
		2017	2018
		R	R
	Effect on Property plant and equipment	(3,593,115)	(3,657,400)
	Assessment of impairment of assets was performed on other assets.		
9.3	Property, Plant and Equipment which is in the process of being constructed or developed		
	Infrastructure Assets	30,725,654	
	Roads	18,593,475	
	Electricity	2,582,481	
	Solid Waste	9,549,698	
	Community Assets		
	Other Assets	7,032,181	
		4,900,697	
	Total Property, Plant and Equipment under construction	42,658,532	
9.4	Property, Plant and Equipment that is taking a significantly longer period of time to complete as expected:		
	Infrastructure Assets	9,549,698	
	Solid Waste	9,549,698	
	Community Assets		
	Other Assets	4,191,490	
		-	
	Total	13,741,188	
	Reasons for the delays:		
	Landfill site - Community Strikes due to unhappiness with projects		
	Harty Gwala Community Hall - Contractor was not finished yet		
	Cemetanes and Pounds - Completion certificates were not available		
9.5	Property, Plant and Equipment where construction or development has been halted:		
	Infrastructure Assets	3,748,436	
	Roads	3,748,436	
	Community Assets	-	
	Other Assets	-	
	Total	3,748,436	
	Ncguka Access Road - Halted due to funding		
9.6	Expenditure incurred to repair and maintain Property, Plant and Equipment:		
	Employee related costs	1,124,531	
	Other materials	1,239,789	
	Contracted Services	2,014,222	
	Other Expenditure	10,845	
	Total Repairs and Maintenance	4,389,387	

EMALAHLENI MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

10	<b>INVESTMENT PROPERTY</b>	R	R
10.1	Net Carrying amount at 1 July	4,162,287	6,351,214
	Cost	4,226,300	6,407,214
	Buildings	695,572	695,572
	Land	3,530,728	5,711,642
	Accumulated Depreciation	(64,013)	(56,000)
	Acquisitions		
	Depreciation for the year	(7,999)	(8,014)
	Disposals		
	Transfers to/from other classes		(2,180,914)
	<b>Net Carrying amount at 30 June</b>	<b>4,154,287</b>	<b>4,162,287</b>
	Cost	4,226,300	4,226,300
	Buildings	695,572	695,572
	Land	3,530,728	3,530,728
	Accumulated Depreciation	(72,013)	(64,013)
10.2	There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal		
10.3	There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements		
10.4	The fair value of investment property approximates the carrying amount as reflected in these financial statements		
10.5	Revenue derived from the rental of investment property		
10.6	<b>Operating Expenditure incurred on properties:</b>	<b>Repairs and Maintenance</b>	<b>Other Operating</b>
	Revenue Generating		
	Improved Property		
	Unimproved Property		
	Non-revenue Generating		
	Unimproved Property		
10.7	Investment Property which is in the process of being constructed or developed	-	-
10.8	Investment Property that is taking a significantly longer period of time to complete as expected :	-	-
10.9	Investment Property where construction or development has been halted:	-	-

EMALAHLENI MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

		2017	2016
		R	R
<b>11</b>	<b>INTANGIBLE ASSETS</b>		
11.1	Computer Software		
	Net Carrying amount at 1 July	130,766	206,752
	Cost	801,474	911,433
	Accumulated Amortisation	(670,708)	(704,681)
	Acquisitions	282,540	10,950
	Disposals	(78,233)	(53,228)
	Amortisation	(26,235)	(33,707)
	Net Carrying amount at 30 June	308,838	130,767
	Cost	1,005,781	801,474
	Accumulated Amortisation	(696,943)	(670,708)

No intangible asset was assessed as having an indefinite useful life. There are no internally generated intangible assets at reporting date. There are no intangible assets whose title is restricted. There are no intangible assets pledged as security for liabilities. There are no contractual commitments for the acquisition of intangible assets.

The effect of a change in accounting estimate will have on the current period and subsequent periods.

	2017	2018	2019
	R	R	R
	-11	17,310	19,289
		2017	
		R	
11.2	Research and Development Costs:		
	Research Expenditure	-	
	Development Expenditure	-	
	Total Research and Development Expenditure	-	
		2017	
		R	
11.3	Intangible Assets which is in the process of being constructed or developed:	-	
11.4	Intangible Assets that is taking a significantly longer period of time to complete than expected:	-	
11.5	Intangible Assets where construction or development has been halted:	-	

**12 HERITAGE ASSETS**

<b>12.1</b>	Net Carrying amount at 1 July	182 536	182 536
	Acquisitions		
	Net Carrying amount at 30 June	182 536	182 536
	Cost	182 536	182 536

Heritage Assets consists of

The assets were measured at its cost

There are no restrictions on the realisability of Heritage Assets or the remittance of revenue and proceeds of disposal enhancements

There are no Heritage Assets pledged as security for liabilities

**12.2 Expenditure incurred to repair and maintain Heritage Assets:**

Employee related costs

Other materials

Contracted Services

Other Expenditure

**Total Repairs and Maintenance**

2017

R

-

-

-

-

-

2017

R

**12.3 Heritage Assets which is in the process of being constructed or developed:**

2017

R

**12.4 Heritage Assets that is taking a significantly longer period of time to complete than expected:**

Reasons for delays

2017

R

**12.5 Heritage Assets where construction or development has been halted:**

**13 RECEIVABLES FROM EXCHANGE TRANSACTIONS**

Electricity

Refuse

Rental

Other Consumer Debtors

Chris Hani Debtor

Sundry Receivables

**Total Receivables from Exchange Transactions**

**Provision for Impairment**

**Total Net Receivables from Exchange Transactions**

R

1 677 745

40 262 104

2 725 656

-

3 776 090

-

**47 941 595**

**(42 258 195)**

**5 683 400**

R

4 344 623

39 044 782

1 991 531

-

3 776 090

200 754

**49 357 780**

**(81 868 150)**

**7 489 630**

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.

13

RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)

	2017 R	2016 R
<b>Ageing of Receivables from Exchange Transactions</b>		
<b>(Electricity) Ageing</b>		
Current (0 - 30 days)	331 555	180 126
31 - 60 Days	154 735	153 898
61 - 90 Days	118 927	130 116
+ 90 Days	1 102 528	3 880 493
<b>Total</b>	<b>1 677 745</b>	<b>4 344 623</b>
<b>(Refuse) Ageing</b>		
Current (0 - 30 days)	526 288	505 945
31 - 60 Days	530 165	522 726
61 - 90 Days	486 519	502 501
+ 90 Days	38 748 932	37 513 609
<b>Total</b>	<b>40 262 104</b>	<b>39 044 782</b>
<b>(Rental) Ageing</b>		
Current (0 - 30 days)	61 777	62 426
31 - 60 Days	53 182	55 980
61 - 90 Days	52 506	55 817
+ 90 Days	2 058 191	1 817 509
<b>Total</b>	<b>2 225 656</b>	<b>1 991 731</b>
<b>(Other) Ageing</b>		
Current (0 - 30 days)	-	-
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
<b>(Total) Ageing</b>		
Current (0 - 30 days)	889 619	746 496
31 - 60 Days	708 283	732 604
61 - 90 Days	657 952	688 234
+ 90 Days	41 909 651	43 211 601
<b>Total</b>	<b>44 165 595</b>	<b>45 380 936</b>
<b>Reconciliation of Provision for Bad Debts</b>		
Balance at beginning of year	41 888 150	40 060 287
Contribution to provision (Reversal of provision)	4 755 824	5 956 007
Written offs	-4 385 579	(4 128 144)
<b>Balance at end of year</b>	<b>42 258 195</b>	<b>41 888 150</b>
<b>The Provision for Impairment could be allocated between the different classes of receivables as follows</b>		
Electricity	408 894	1 063 603
Refuse	39 977 727	38 774 125
Other	1 871 574	2 050 423
<b>Total</b>	<b>42 258 195</b>	<b>41 888 150</b>

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables. Assessment of arrears on Rates and Service accounts in terms of MFMA Sec 121 (3) (e) by the Accounting Officer

**EMALAHLENI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

14

**RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

	2017 R	2016 R
Rates	15 459 293	14 078 302
Other Receivables	(51 068)	2 457 210
Other Receivables	(51 068)	2 457 210
Total Receivables from Non-Exchange Transactions	15 407 225	16 535 512
Less Provision for impairment	(13 750 525)	(11 257 775)
Total Net Receivables from Non-Exchange Transactions	1 656 701	5 277 736

Rates debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition.

**Ageing of Receivables from Non-Exchange Transactions**

	R	R
<u>(Rates): Ageing</u>		
Current (0 - 30 days)	124 008	110 769
31 - 60 Days	318 439	349 062
61 - 90 Days	295 053	279 803
+ 90 Days	14 730 793	13 338 764
Total	15 458 293	14 078 397
<b>Reconciliation of Provision for Impairment</b>		
Balance at beginning of year	11 257 775	7 955 764
Contribution to provision/(Reversal of provision)	2 492 750	3 302 011
Bad Debts Written Off		
Balance at end of year	13 750 525	11 257 775

The entire provision for bad debts relates to the outstanding rates balance.

Concentrations of credit risk with respect to these receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables. Assessment of arrears on Rates and Service accounts in terms of MFMA Sec 121 (3)(e) by the Accounting Officer.

15

**OPERATING LEASE ARRANGEMENTS**

**15.1 The Municipality as Lessor (Asset)**

	R	R
Balance on 1 July	82 746	77 416
Movement during the year	(4 266)	5 330
Balance on 30 June	78 480	82 746
<b>At the Statement of Financial Position date, where the municipality acts as a Lessor under operating leases it will receive operating lease income as follows:</b>		
Up to 1 Year	114 566	135 118
1 to 5 Years	318 088	432 655
<b>Total Operating Lease Arrangements</b>	<b>432 655</b>	<b>567 772</b>

The Municipality does not engage in any sub-lease arrangements.

The Municipality did not receive any contingent rent during the year.

Certain of the Municipality's properties are leased to third parties to generate rental income. Leases receipts escalate annually on average by 10%. Lease agreements are non-cancellable and have terms from 3 to 10 years.



EMALAHLENI MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

16

**CASH AND CASH EQUIVALENTS**

Assets

Call Investments Deposits  
Bank Accounts  
Cash Floats

Total Cash and Cash Equivalents - Assets

2017 R	2016 R
10 260 055	26 023 440
2 973 642	2 375 770
300	20 252
<b>13,133,998</b>	<b>28,419,461</b>

Cash and cash equivalents comprise of cash held and short term deposits. The carrying amount of these assets approximates the fair value.

The Municipality has the following bank accounts:

Current Accounts

Standard Bank - Current Account - 082-665-958  
Standard Bank - Current Account - 082-630-631  
First National Bank - Current Account - 620-4898-642B

R	R
161 976	78 399
2 386 023	148 962
325 642	2 148 408
<b>2,873,642</b>	<b>2,375,770</b>

All accounts are cleared daily to Primary Bank Account, current account 082-665-958

Standard Bank - Current Account - 082-665-958

Cash book balance at beginning of year  
Cash book balance at end of year

78 399	470 729
<b>161,976</b>	<b>78,399</b>

Bank statement balance at beginning of year  
Bank statement balance at end of year

78 399	470 729
<b>161,976</b>	<b>78,399</b>

Standard Bank - Current Account - 082-630-631

Cash book balance at beginning of year  
Cash book balance at end of year

25 063	1 863 238
<b>2,386,023</b>	<b>25,063</b>

Bank statement balance at beginning of year  
Bank statement balance at end of year

148 508	1 863 238
<b>2,386,023</b>	<b>148,508</b>

First National Bank - Current Account - 620-4898-642B

Cash book balance at beginning of year  
Cash book balance at end of year

2 148 408	858 280
<b>325,642</b>	<b>2,148,408</b>

Bank statement balance at beginning of year  
Bank statement balance at end of year

2 148 408	858 280
<b>325,642</b>	<b>2,148,408</b>

Call Investment Deposits

Call investment deposits consist of the following accounts:

Call Investments Deposits

Investec Account Number/s 451/465258  
First National Bank Account Number/s 74366334164  
Standard Bank Account Number/s 08 879 9697 - 012  
Standard Bank Account Number/s 08 879 9697 - 001  
ABSA Account Number/s 207951763  
ABSA Account Number/s 93 25201449  
Standard Bank Account Number/s 08 879 9697 - 020

<b>10,260,055</b>	<b>26,023,440</b>
9 624 529	11 140 266
48 113	14 357 428
10 573	43 333
202 057	202 057
361 984	-
907	-
<b>11,892</b>	<b>280,356</b>

17

**PROPERTY RATES**

Actual

**Rateable Land and Buildings**

Residential, Commercial Property State

Agricultural

Less: Rebates

Total Assessment Rates

4 146,296	3 744 290
<b>3 281 889</b>	<b>3 000 310</b>
<b>864 408</b>	<b>743 980</b>
<b>4,146,296</b>	<b>3,744,290</b>

Valuations

**Rateable Land and Buildings:**

Residential

Agricultural

Government

Business & Commercial

Municipal

Exempt Properties

Total Assessment Rates

249 053 000	239 505 604
515 769 900	491 459 300
68 777 900	52 397 600
131 085 403	128 211 401
88 171 800	83 834 400
15 752 401	27 223 900
<b>1,068,810,404</b>	<b>1,022,832,205</b>

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2014.

Rebates can be defined as any income that the Municipality is entitled by law to levy but which has subsequently been forgone by way of rebate or remission.

**EMALAHLENI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

18	Government Grants and Subsidies	2017 R	2016 R
	Unconditional Grants	114 533 000	116 537 000
	Equitable share	114 533 000	116 537 000
	Conditional Grants	43 646 205	59 267 259
	Grants and subsidies	43 646 205	59 267 259
	<b>Total Government Grants and Subsidies</b>	<b>158 245 205</b>	<b>175 804 259</b>
	Government Grants and Subsidies - Capital	26 170 100	32 614 700
	Government Grants and Subsidies - Operating	132 075 105	145 189 559
		<b>158 245 205</b>	<b>175 804 259</b>
	Revenue recognised per vote as required by Section 123 (c) of the MFMA		
	Budget and Treasury	110 151 000	113 314 000
	Community Services	4 127 441	892 789
	Council	6 590 000	8 140 000
	Electricity	9 317 000	21 000 000
	Executive	200 000	-
	IPED	-	31 470
	Refuse	200 000	200 000
	Roads Transport	27 659 764	34 226 000
		<b>158 245 205</b>	<b>175 804 259</b>
	The municipality does not expect any significant changes to the level of grants.		
18.1	Equitable share		
	Opening balance	-	-
	Grants received	114 599 000	116 537 000
	Conditions met - Operating	(114 599 000)	(116 537 000)
	Conditions met - Capital	-	-
	Conditions still to be met	-	-
	The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury		
18.2	Local Government Financial Management Grant (FMG)		
	Opening balance	-	-
	Grants received	2 010 000	1 875 000
	Conditions met - Operating	(2 010 000)	(1 875 000)
	Conditions met - Capital	-	-
	Conditions still to be met	-	-
	The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns)		
18.3	Beautification of Parks - Lady Frere		
	Opening balance	-	-
	Grants received	-	930 000
	Conditions met - Operating	-	(930 000)
	Conditions met - Capital	-	-
	Conditions still to be met	-	-
	The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems		
18.4	Municipal Infrastructure Grant (MIG)		
	Opening balance	-	-
	Grants received	24 758 000	32 226 000
	Conditions met - Operating	(1 587 900)	(1 611 300)
	Conditions met - Capital	(23 170 100)	(30 614 700)
	Conditions still to be met	-	-
	The grant was used to upgrade infrastructure in previously disadvantaged areas		

**EMALAHLENI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

18	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)	2017 R	2016 R
18.5	<b>Integrated National Electrification Grant (INEP)</b>		
	Opening balance	-	-
	Grants received	9 317 000	21 000 000
	Conditions met - Operating	(9 317 000)	(21 000 000)
	Conditions met - Capital	-	-
	Grant expenditure to be recovered	-	-
	The National Electrification Grant was used for electrical connections in previously disadvantaged areas		
18.6	<b>Other Grants</b>		
	Opening balance	1 157 442	348 699
	Grants received	6 442 398	4 045 000
	Grants transferred	(930 000)	-
	Conditions met - Operating	(4 561 206)	(3 236 259)
	Conditions met - Capital	(3 000 000)	-
	Conditions still to be met	(891 366)	1 157 442
	Various grants were received from other spheres of government (e.g. Library fund and Extended Public Works Program)		
18.7	<b>Total Grants</b>		
	Opening balance	1 157 442	348 700
	Grants received	157 126 398	176 613 000
	Grants transferred	(930 000)	-
	Conditions met - Operating	(132 075 106)	(145 189 559)
	Conditions met - Capital	(26 170 100)	(30 614 700)
	Conditions still to be met/(Grant expenditure to be recovered)	(891 366)	1 157 442
	<u>Disclosed as follows:</u>		
	Unspent Conditional Government Grants and Receipts	800 500	1 157 442
	Unpaid Conditional Government Grants and Receipts	(1 691 866)	-
		(891 366)	1 157 442
19	<b>SERVICE CHARGES</b>		
	Electricity	11 022 548	8 746 028
	Water	-	27
	Refuse removal	5 609 738	4 562 081
	Sewerage and Sanitation Charges	401	(47 065)
	Less: Rebates	(16 632 687)	(13 261 071)
	<b>Total Service Charges</b>	<b>14 799 087</b>	<b>12 038 187</b>
	Rebates can be defined as any income that the Municipality is entitled by law to levy but which has subsequently been forgone by way of rebate or remission		
20	<b>INTEREST EARNED</b>		
	<b>External Investments</b>		
	Interest Investments	2 269 107	3 784 565
	Interest Bank Balance	43 544	61 560
	<b>Total External Investments</b>	<b>2 312 651</b>	<b>3 846 124</b>
	<b>Outstanding Debtors</b>		
	Property Rates	1 345 990	1 438 406
	Refuse	2 988 631	2 850 830
	Electricity	203 809	378 413
	Rent	170 343	167 309
	<b>Total Outstanding Debtors</b>	<b>4 708 774</b>	<b>4 832 959</b>
	<b>Total Interest Earned</b>	<b>7 021 425</b>	<b>8 479 083</b>

<b>21</b>	<b>OTHER INCOME</b>	<b>2017</b>	<b>2016</b>
		<b>R</b>	<b>R</b>
	Administration charges	-	-
	Building plans	15 526	19 833
	Branding of Livestock	1 921	4 688
	Cemetery Fees	38 064	29 145
	Provision for Ex-Gratia payment- CFO - recovered	-	-
	Connection Fees	53 796	198 513
	Insurance Income	138 571	232 494
	LGSETA	97 530	73 079
	Pound Fees	7 691	21 513
	Registrations	-	8 442
	Housing Admin Fees	13 500	33 550
	Sundry Income	420 099	160 907
	<b>Total</b>	<b>786,757</b>	<b>782,563</b>
	Less: Transferred to Discontinued Operations - Note 50.2	-	2 265,864
	<b>Total Other Income</b>	<b>786,757</b>	<b>3,048,427</b>

Sundry income represents sundry income such as cleaning of sites, private work and fees for items not included under service charges.

<b>22</b>	<b>EMPLOYEE RELATED COSTS</b>	<b>2017</b>	<b>2016</b>
		<b>R</b>	<b>R</b>
	Salaries and Wages	45 416 093	38 455 904
	Annual bonus	2 944 805	2 230 296
	Contributions for UIF, pensions and medical aids	8 295 585	6 791 347
	Housing Subsidy	83 652	62 300
	Leave Reserve Fund	2 321 669	702 667
	Long service awards	381 946	281 148
	Overtime	840 378	839 790
	Post Employment Health	716 360	601 840
	Scarce Skills Allowance	7 569	3 301
	Performance bonus	1 078 808	1 031 547
	Skills development levy	491 149	350 456
	Travel, motor car, telephone, assistance and other allowances	3 226 653	2 803 215
	Provision for Ex-Gratia payment- CFO	-	14 472
	Workman's Compensation	370 524	374 837
	<b>Total Employee Related Costs</b>	<b>66,175,192</b>	<b>54,543,120</b>

Municipal Manager and all other Senior Managers are appointed on fixed term contracts

#### REMUNERATION OF KEY MANAGEMENT PERSONNEL

##### Remuneration of the Municipal Manager (MM Dr VS Vatale)

Annual Remuneration	1 610 510	1 464 100
Performance Bonuses	204 974	186 340
Leave encashment	148 167	-
Telephone, assistance and other allowances	31 680	26 136
Contributions to UIF, SDL, Bargaining council	18 464	16 641
<b>Total</b>	<b>2,013,795</b>	<b>1,693,217</b>

##### Remuneration of the Manager Corporate Services (Manager Corporate Services - P Sohe)

Annual Remuneration	1 208 458	1 098 599
Performance Bonuses	153 804	109 860
Leave encashment	38 671	-
Acting Allowance	33 504	-
Telephone, assistance and other allowances	27 240	22 506
Contributions to UIF, SDL, Bargaining council	12 614	12 336
<b>Total</b>	<b>1,474,291</b>	<b>1,243,301</b>

##### Remuneration of the Chief Financial Officer (GP de Jager)

Annual Remuneration	1 261 433	1 148 757
Performance Bonuses	160 546	145 951
Leave encashment	170 546	-
Telephone, assistance and other allowances	27 240	18 600
Contributions to UIF, SDL, Bargaining council	14 307	13 517
<b>Total</b>	<b>1,634,071</b>	<b>1,324,825</b>

**EMALAHLENI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

<i>Remuneration of the Manager (PED Services (N Mtuydwa)</i>	<b>2017</b>	<b>2016</b>
Annual Remuneration	1 208 459	1 098 599
Performance Bonuses	153 804	49 936
Telephone, assistance and other allowances	27 240	18 600
Leave encashment	38 671	-
Acting Allowance	9 138	-
Contributions to UIF, SDL, Bargaining council	12 447	11 883
<b>Total</b>	<b>1 449 758</b>	<b>1 179 018</b>
<i>Remuneration of the Director Infrastructure and Human Settlements (D Njilo)</i>		
Annual Remuneration	1 208 459	1 098 599
Performance Bonuses	153 804	139 822
Acting Allowance	-	15 783
Leave encashment	198 187	-
Telephone, assistance and other allowances	27 240	18 600
Contributions to UIF, SDL, Bargaining council	15 216	13 866
<b>Total</b>	<b>1 602 906</b>	<b>1 286 670</b>
<i>Remuneration of the Director Community Services (N Nyazi)</i>		
Annual Remuneration	1 208 099	1 098 599
Performance Bonuses	153 804	139 822
Telephone, assistance and other allowances	27 240	18 600
Leave encashment	135 347	-
Contributions to UIF, SDL, Bargaining council	14 436	13 149
<b>Total</b>	<b>1 538 926</b>	<b>1 270 169</b>
<b>23 REMUNERATION OF COUNCILLORS</b>	<b>R</b>	<b>R</b>
Mayor	800 356	778 880
Speaker	644 574	627 278
Executive Committee Members	2 778 220	2 703 673
Councillors	6 961 809	6 775 005
<b>Total Councillors' Remuneration</b>	<b>11 184 958</b>	<b>10 884 836</b>

**In-kind Benefits**

The Mayor and Speaker are full-time. The Mayor and Speaker are provided with offices and secretarial support at the cost of the Council. The Mayor has use of a Council owned vehicle and a driver for official duties.

**COUNCILLORS**

Executive Mayor - N Nyukwana	768 799
Speaker - Kalolo OS	616 790
Executive Committee Member - Laši N- Chief Whip	569 762
Executive Committees - Cllrs S Lwani (full time exco)	582 155
Executive Committees - T Kulashe (Ndyumbo) (full time exco)	583 882
Executive Committees - Limba M (full time exco)	520 291
Executive Committees - K Nkasela (Ex-part time exco member)	36 242
Executive Committees - K Nkasela (Ex-part time exco member)	303 378
Other Councillors - L Mooi ( Ex-Sec 79 chair person)	35 307
Other Councillors - Mapete L (Sec 79 chair person)	320 327
Ordinary Councillor- Dikilili N ( Part-time Councillor)	28 055
Ordinary Councillor- Dyonase Z ( Part-time Councillor)	28 055
Ordinary Councillor- Ziduli NM ( Part-time Councillor)	281 020
Ordinary Councillor- Jordaan VB ( Part-time Councillor)	28 055
Ordinary Councillor- Godla MM ( Part-time Councillor)	28 055
Ordinary Councillor- Mnyuko ST ( Part-time Councillor)	28 055
Ordinary Councillor- Nobaza P ( Part-time Councillor)	27 838
Ordinary Councillor- Bobotyane CH ( Part-time Councillor)	281 020
Ordinary Councillor- Peter N ( Part-time Councillor)	28 055
Ordinary Councillor- Koni NF ( Part-time Councillor)	281 020
Ordinary Councillor- Teka ZH ( Part-time Councillor)	28 055
Ordinary Councillor- Dudumashe TR ( Part-time Councillor)	28 055
Ordinary Councillor- Komani B ( Part-time Councillor)	28 055
Ordinary Councillor- Qhashani N ( Part-time Councillor)	28 055
Ordinary Councillor- Nolela TM ( Part-time Councillor)	281 020
Ordinary Councillor- Holana NB ( Part-time Councillor)	28 055
Ordinary Councillor- Kwatshana TV ( Part-time Councillor)	28 055
Ordinary Councillor- Mjezu K ( Part-time Councillor)	281 020
Ordinary Councillor- Kraza NN ( Part-time Councillor)	280 420
Ordinary Councillor-Mketsu ZW (Part-time Councillor)	28 055
Ordinary Councillor-Grayling PF ( Part-time Councillor)	281 020
Ordinary Councillor-Papiso ZZ ( Part-time Councillor)	28 055
Ordinary Councillor-Sixishe TD ( Part-time Councillor)	281 020
Ordinary Councillor- Boklan SH ( Part-time Councillor)	28 055
Ordinary Councillor- Zama SE ( Part-time Councillor)	232 965
Ordinary Councillor- Fatyela LA ( Part-time Councillor)	232 965
Ordinary Councillor- Bongo S ( Part-time Councillor)	232 965
Ordinary Councillor- Feni RZ ( Part-time Councillor)	232 965
Ordinary Councillor- Moshane ZG ( Part-time Councillor)	232 965
Ordinary Councillor- Mondile TF ( Part-time Councillor)	232 965
Ordinary Councillor- Mahola ZD ( Part-time Councillor)	232 965
Ordinary Councillor- Oomoyi MS ( Part-time Councillor)	232 965
Ordinary Councillor- Makalesi M ( Part-time Councillor)	232 965
Ordinary Councillor- Mrwabi TJ ( Part-time Councillor)	232 965
Ordinary Councillor- Mthandeki FM ( Part-time Councillor)	232 965
Ordinary Councillor- Tyulu NM ( Part-time Councillor)	232 965
Ordinary Councillor- Kama N ( Part-time Councillor)	232 965
Ordinary Councillor- Oyiya MP ( Part-time Councillor)	232 965
Ordinary Councillor- Paul LN ( Part-time Councillor)	237 289
Ordinary Councillor- Njadu XH ( Part-time Councillor)	232 965
Ordinary Councillor- Nqono N ( Part-time Councillor)	232 965
Ordinary Councillor- Nqono N ( Part-time Councillor)	298 558
Other payments	50 536

Gazette amounts **11 184 958**

**Certification by the Accounting Officer**

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Signed: Accounting Officer

**EMALAHLENI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

<b>24</b>	<b>DEBT IMPAIRMENT</b>	<b>2017</b>	<b>2016</b>
	Trade Receivables from exchange transactions - Note 13	(1 654 402)	1 096 424
	Trade Receivables from non-exchange transactions - Note 14	2 492 750	3 302 011
	Total Contribution to Debt Impairment	<u>2 327 348</u>	<u>4 398 435</u>
	<b>BAD DEBTS WRITTEN -OFF</b>		
	Trade Receivables from exchange transactions	4 648 942	
	Trade Receivables from non-exchange transactions	430 154	4 128 144
		<u>5 079 096</u>	<u>4 128 144</u>
<b>25</b>	<b>DEPRECIATION AND AMORTISATION</b>		
	Property Plant and Equipment	20 733 852	22 428 417
	Investment Property	7 999	5 507
	Intangible Assets	28 235	33 707
	Total Depreciation and Amortisation	<u>20 768 086</u>	<u>22 467 631</u>
<b>26</b>	<b>FINANCE CHARGES</b>		
	Landfill site	684 414	-
	Long service awards	125 838	101 918
	Long-term Liabilities	76 517	120 034
	Post Employment Health	476 574	400 101
	Total finance charges	<u>1 363 344</u>	<u>622 053</u>
<b>27</b>	<b>BULK PURCHASES</b>		
	Electricity	12 948 236	13 480 217
	Total Bulk Purchases	<u>12 948 236</u>	<u>13 480 217</u>
<b>28</b>	<b>OTHER OPERATING GRANT EXPENDITURE</b>		
	Operating grant expenditure per vote		
	Budget and Treasury	3 832 662	4 259 905
	Community Services	-	43 176
	Corporate Services	-	-
	Council	-	-
	Electricity	8 172 807	16 421 053
	Executive	200 729	-
	IPED	-	442 729
	Refuse	202 950	206 750
	Roads Transport	2 174 448	5 532 845
	Water and Sanitation	-	-
	Total Operating grant expenditure	<u>14 583 595</u>	<u>28 906 458</u>

EMALAHLENI MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

29

GENERAL EXPENSES	2017 R	2016 R
Administration charges	-	-
Advertisements	336 250	670 490
Auditors Remuneration	3 783 504	3 353 294
Bank Charges	290 988	255 550
Books, Magazines & Publications	21 392	18 202
Cleaning	158 285	467 870
Conferences and Seminars	1 087 710	1 154 002
Congress Fee	39 755	18 630
Consulting and Professional fees	1 430 090	1 880 744
Consumables	33 448	71 851
Data Cleansing	250 116	1 15 657
Disaster Expenditure	329 181	609 069
Drivers License Cards	24 727	-
Electricity Service Charges	169 388	405 639
Entertainment	-	698 749
Field Band Project	708 828	1 200 370
Fleet Management	73 628	19 958
FMS Expenditure and Licences	849 670	761 521
Fuel and oil	1 704 954	1 298 791
Internal charges	237 231	-
Insurance	1 664 045	1 297 677
Lease rentals on operating lease	464 335	361 828
License Fees	701 389	488 508
Marketing	447 854	896
Material Stores	2 799 589	1 092 901
Mayor Cup	980 358	200 286
Medical Exams	-	1 140
Network Infrastructure Improvement	30 391	301 037
Pauper Burials	29 830	19 860
Plant Hire	195 000	51 200
PMS & IDP Compliance	384 985	477 804
Policies	39 817	162 610
Postage	6 438	7 999
Printing and stationery	1 555 730	1 458 251
Projects	3 092 086	3 440 047
Protective Clothing	799 077	698 100
Public participation	1 054 690	1 029 793
Refuse Bags	326 974	338 300
Relocation Cost	21 600	57 600
Revenue Enhancement Strategy	1 287 754	135 116
Schools	167 112	-
Security	3 164 236	2 953 986
Special Community Projects, example Youth day	782 429	1 568 593
Staff Tools Of Trade	279 056	-
Study Assistance	-	200 000
Subscription and Membership fees	954 602	977 618
Subsistence and Travel	2 881 391	2 466 531
Telephone and fax	1 865 271	1 757 671
Traditional Leaders Expenditure	173 444	74 990
Training	751 649	471 455
Transport and freight	629 725	617 933
Travel - local	5 538 498	4 571 798
Valuation Roll	62 466	57 750
Ward Committee cost	472 120	725 646
Wellness Day	325 162	791 755
<b>General Expenses</b>	<b>45,368,248</b>	<b>42,463,054</b>

**EMALAHLENI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**39 CORRECTION OF ERRORS IN TERMS OF GRAP 3 AND RE-CLASSIFICATIONS**

**30.01 Narratives of the corrections of errors**

- (i) During the previous year, Standard Bank has reversed a payment made for telephone cost paid to Vodacom and the reversal was recognised as such. With the July bank statement, it was found that the bank has erroneously reversed the amount with the result that the bank balance and Accumulated Surplus were understated.
- (ii) It was found that bulk purchases from Eskom was incorrectly billed by them for units used in the rural area. An over payment was thus done in the previous year and this error is now retrospectively corrected with the following entries: (Ct) Accumulated Surplus (Current year) - Bulk Purchases R2 148 675 65 (Ct) VAT R300815 and (Dt) Receivables from Non Exchange Transactions R2 449 491 02.
- (iii) Vehicles previously incorrectly de-recognised are now recognised again with the following entries: (Dt) Property Plant and Equipment - General Vehicles R192 823 93 (Ct) Accumulated Depreciation R92 843 57 (Ct) Accumulated Surplus - prior years R77 994 29 (Ct) Accumulated Surplus - current year (Depreciation) R11 936 07.
- (iv) Blangwe access road expenditure was incorrectly not capitalized last year and was erroneously allocated as repairs and maintenance. This error is now corrected with the following entries: (Dt) Property Plant and Equipment - WIP Infrastructure - roads (Ct) Accumulated Surplus - current year R74 690.
- (v) RDP houses were previously incorrectly capitalized. This error is now retrospectively corrected with the following entries: (Dt) Accumulated Surplus - prior years R14 145 290 (Ct) Investment Property R 85 000, Land and Buildings R 14 145 290, (Dt) Accumulated Depreciation - Land and Buildings R2 578 742 66 (Ct) Accumulated Surplus - prior years R2 578 742 66, (Dt) Accumulated Depreciation Land and Buildings (Ct) Accumulated Surplus - current year (depreciation) R345 298 88 (Dt) Accumulated Surplus - prior years (Ct) Accumulated Depreciation - Investment Properties R17 546 67, (Dt) Accumulated Surplus - current year (Depreciation) (Ct) Accumulated Depreciation - Investment Property R2 506 67.
- (vi) Correction of assets not capitalized with the following entries: (Dt) Property Plant and Equipment Other Assets (Ct) Accumulated Surplus - prior years R10 518, (Dt) Accumulated Surplus - prior year (Ct) Accumulated Depreciation - Other Assets R4 356 10, (Dt) Accumulated Surplus - current year (Depreciation) (Ct) Accumulated Depreciation R824 00.
- (vii) Correction of assets incorrectly capitalized with the following entries: (Dt) Accumulated Surplus - prior years (Ct) Property Plant and Equipment - Buildings - cost with R139 400 (Dt) Accumulated Depreciation - Buildings (Ct) Accumulated Surplus - prior years R 28 801 64, (Dt) Accumulated Depreciation - Buildings (Ct) Accumulated Surplus - current year (Depreciation) R3 811 93.

	2016 R	2015 R
<b>30.02 ACCUMULATED SURPLUS</b>		
Balance previously reported	409,432,536	406,169,906
Correction of error - see note 30.01(i)	123 899	
Correction of error - see note 30.01(ii)	2,148 676	
Correction of error - see note 30.01(iii)	101,978	101 976
Correction of error - see note 30.01(iv)	(11 996)	
Correction of error - see note 30.01(v)	74 690	
Correction of error - see note 30.01(vi)	(14 210,290)	(14 210,290)
Correction of error - see note 30.01(vi)	2 578,743	2 578 743
Correction of error - see note 30.01(vi)	345 299	
Correction of error - see note 30.01(vi)	(17,547)	(17,547)
Correction of error - see note 30.01(vi)	(2,507)	
Correction of error - see note 30.01(vi)	10 518	10 518
Correction of error - see note 30.01(vi)	(4 356)	(4 356)
Correction of error - see note 30.01(vi)	(624)	
Correction of error - see note 30.01(vii)	(139 400)	(139 400)
Correction of error - see note 30.01(vii)	28,802	28 802
Correction of error - see note 30.01(vii)	3 812	
<b>Restated balance 30/06/2016</b>	<b>400,462,231</b>	<b>394,518,352</b>
	<b>2016 R</b>	<b>2015 R</b>
<b>30.03 CASH AND CASH EQUIVALENTS</b>		
Balance previously reported	28,295,562	31,776,400
Correction of error - see note 30.01(i)	123 899	
<b>Restated balance 30/06/2016</b>	<b>28,419,461</b>	<b>31,776,400</b>
<b>30.04 VAT</b>		
Balance previously reported	6,328,350	2,144,284
Correction of error - see note 30.01(ii)	(300,815)	
<b>Restated balance 30/06/2016</b>	<b>6,027,535</b>	<b>2,144,284</b>
<b>30.05 RECEIVABLES FROM NON EXCHANGE TRANSACTIONS</b>		
Balance previously reported	2,828,246	4,192,596
Correction of error - see note 30.01(iii)	2,449 491	
<b>Restated balance 30/06/2016</b>	<b>5,277,737</b>	<b>4,192,596</b>



30.06 PROPERTY PLANT AND EQUIPMENT

Balance previously reported	409 297,626	389 475,177
Correction of error - see note 30.01(iii) Cost	192 824	192 824
Correction of error - see note 30.01(iii) Accumulated Depreciation	92 844	(82 843)
Correction of error - see note 30.01(v) Cost Infrastructure (WIP)	74 690	
Correction of error - see note 30.01(v) Cost Land and Buildings	14 145 290	14 145 290
Correction of error - see note 30.01(v) Accumulated Depreciation	2 578 743	2 578 743
Correction of error - see note 30.01(v) Accumulated Depreciation	345 299	
Correction of error - see note 30.01(v) Cost	10 518	10 518
Correction of error - see note 30.01(v) Accumulated Depreciation	(4 356)	(4 356)
Correction of error - see note 30.01(v) Accumulated Depreciation	(624)	
Correction of error - see note 30.01(v) Accumulated Depreciation	(139 400)	(139 400)
Correction of error - see note 30.01(v) Accumulated Depreciation	28 802	28 802
Correction of error - see note 30.01(v) Accumulated Depreciation	3 812	
Restated balance 30/06/2016	<u>397,129,800</u>	<u>376,906,170</u>

30.07 INVESTMENT PROPERTY

Balance previously reported	4,247,340	6,433,760
Correction of error - see note 30.01(v)	(65,000)	(65,000)
Correction of error - see note 30.01(v)	(17,547)	(17,547)
Correction of error - see note 30.01(v)	(2,507)	
Restated balance 30/06/2016	<u>4,162,287</u>	<u>6,351,213</u>

30.08 STATEMENT OF FINANCIAL PERFORMANCE

	2016	2015
	R	R
<b>SURPLUS PREVIOUSLY REPORTED</b>	<b>3,262,630</b>	<b>-</b>
Correction of error - see note 30.01(i) - General Expenses-Telephone	123 899	
Correction of error - see note 30.01(a) - Bulk Purchases	2 148,676	
Correction of error - see note 30.01(a) - Depreciation	-11 996	
Correction of error - see note 30.01(a) - Repairs and maintenance	74 690	
Correction of error - see note 30.01(v) - Depreciation	345 299	
Correction of error - see note 30.01(v) - Depreciation	(2 507)	
Correction of error - see note 30.01(v) - Depreciation	(624)	
Correction of error - see note 30.01(v) - Depreciation	3 812	
Restated balance 30/06/2016	<u>5,943,679</u>	<u>-</u>

EMALAHLENI MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

30.09

Reclassification-Statement of Performance

Previously reported

Debt Impairment  
Bad Debts Written-off  
Repairs And maintenance

2016  
R

8 526 579  
7 019 692

15,546,271

Now reported

Debt Impairment  
Bad Debts Written-off  
Contracted Services  
Employee related costs  
Other Expenditure  
Other materials

4 398 435  
4 128 144  
5 024 551  
886 551  
37 887  
1 070 703  
15,546,271

RECONCILIATION BETWEEN NET SURPLUS(DEFICIT) FOR THE YEAR AND CASH GENERATED(ABSORBED) BY OPERATIONS

31

Surplus/(Deficit) for the year

Adjustments for:

Depreciation/Amortisation  
Loss on disposal of property, plant and equipment  
Contributed Assets  
Impairment Loss  
Impairment (Reversals)  
Contribution from/to provisions - Non-Current  
Contribution from/to provisions - Non-Current - Expenditure incurred  
Contribution from/to provisions - Non-Current - Actuarial gains  
Contribution to provisions - current  
Contribution to provisions - current - Expenditure incurred  
Debt Impairment  
Bad Debts written - off  
Operating lease income / (expenses) accrued

2017  
R

1,462,508

20 768 086  
1,244 154  
(38 664)  
-  
-  
2 344 932  
(331 995)  
(1,278 548)  
6,715 804  
(5,145 573)  
(2,327 348)  
5 079 096  
4 266

2016

R

5,943,879

22 467 631  
8,831 118  
(259 090)  
(635 644)  
410 761  
(160 003)  
(164 568)  
(3,956 293)  
4 339 347  
4 398 435  
4 128 144  
(5 330)

Operating Surplus/(Deficit) before changes in working capital  
Changes in working capital

Increase/(Decrease) in Payables from exchange transactions  
Increase/(Decrease) in Unspent Conditional Government Grants and Receipts  
Increase/(Decrease) in Unpaid Conditional Government Grants and Receipts  
Increase/(Decrease) in Taxes  
(Increase)/Decrease in Inventory  
(Increase)/Decrease in Receivables from exchange and non-exchange transactions  
Cash generated/(absorbed) by operations  
Discontinued Operations

33 193 414  
(11,281 935)  
(1 799 164)  
(356 842)  
(1 691 866)  
(5 434 784)  
(1 999 179)  
21 911 479  
47,433,783  
(2 265 964)  
45,167,819

32

CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following

Call Investments Deposits - Note 16  
Cash Floats - Note 16  
Bank - Note 16

Total cash and cash equivalents

10,260,055  
300  
2,873 642  
13,133,998

26 023 440  
20 252  
2 375 770  
28,419,461

33

RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES

Cash and Cash Equivalents - Note 32

Less

Unspent Committed Conditional Grants - Note 7

Resources available for working capital requirements

Allocated to:

Current Employee Benefits  
Non-Current Provisions

Resources available for working capital requirements

13,133,998  
13,133,998  
(891,366)  
(891,366)  
14,025,364  
9,032 174  
11,210 331  
(6,217,142)

28 419 461  
28 419 461  
1 157 442  
1 157 442  
27,262,019  
7,544 844  
10 525 917  
9,191,258

34

UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long term liabilities - Note 2

Used to finance property plant and equipment - at cost

Cash set aside for the repayment of long-term liabilities

Cash invested for repayment of long-term liabilities

Long term liabilities have been utilized in accordance with the Municipal Finance Management Act

295 485  
(295 485)  
-  
-

648 349  
(648 349)  
-  
-

EMALAHLENI MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

35 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

35.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure

Opening balance	21 573 064	-
Unauthorised expenditure for the year - capital	-	8 094 834
Unauthorised expenditure for the year - operating	-	13 478 230
Written off by Council	(21 573 064)	-
Unauthorised expenditure awaiting authorisation	-	21 573 064

Unauthorised expenditure on operating votes is mainly due to depreciation and debt impairment charges

Incident	Disciplinary steps/criminal proceedings
Over expenditure on approved operational and capital budget.	None, report has been presented to Council

	2017 R (Actual)	2017 R (Budget)	2017 R (Variance)	2017 R (Unauthorised)
<u>Unauthorised expenditure current year - operating</u>				
Budget and Treasury Office	36 885,148	36 900,089	(14,941)	-
Community and Social Services	25 367,959	25 414,585	(46,626)	-
Corporate Services	18 408,062	18 837,160	(431,098)	-
Executive and Council	33 623,548	34 260,391	(636,844)	-
IPED	8 115,012	9 174,152	(1,059,140)	-
Technical Services	64 197,007	68 529,435	(4,332,428)	-
	<u>186,594,735</u>	<u>193,115,812</u>	<u>(6,521,076)</u>	-

	2017 R (Actual)	2017 R (Budget)	2017 R (Variance)	2017 R (Unauthorised)
<u>Unauthorised expenditure current year - capital</u>				
Budget and Treasury	6 907,909	6 908,191	(282)	-
Community and Social Services	2 988,942	2 990,000	(1,058)	-
Corporate Services	4 999,734	5 000,000	(266)	-
Executive and Council	1,113,590	1 114,456	(867)	-
IPED	20 833,901	20 834,453	(552)	-
Technical Services	<u>36,844,076</u>	<u>36,847,100</u>	<u>(3,024)</u>	-

EMALAHLENI MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

35

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (Continued)

2017  
R

2016  
R

35.2

Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

Opening balance

69 296

68 043

Fruitless and wasteful expenditure the year

18 416

Written off by council

(68 033)

(17 183)

Recovered Fruitless and wasteful expenditure the year

(7)

Fruitless and wasteful expenditure awaiting further action

1 263

69 296

Incident

Disciplinary steps/criminal proceedings

Interest was paid to Eskom and Telkom

Investigated and recovered after year end

1 263

1 263

Interest and penalties were paid on Eskom and Telkom accounts

Written off

Interest was paid to Eskom and Telkom prior year

None

W. Mkuyana salary paid incorrectly

To be recovered

-

68 033

1 263

69 296

35.3

Irregular expenditure

Reconciliation of irregular expenditure:

Opening balance

27 476 747

73 498 943

Irregular expenditure for the year

7 217 046

Irregular expenditure for the prior year

Written off

(27 476 747)

(53 239 242)

Irregular expenditure awaiting further action

-

27 476 747

Incident

Disciplinary steps/criminal proceedings

SCM procedures not followed current year

Written off

17 785 496

Litaba Basadi Investment

Written off

1 604 746

Mizere/Umkhwa Construction JV

Written off

869 461

SCM procedures not followed prior year

Written off

SCM procedures not followed-Edzan Prop Developers

Written off

4 362 655

SCM procedures not followed-Litaba Basadi Investments

Written off

2 854 391

-

27 476 749

35.4

Material Losses

Electricity distribution losses

Units purchased (Kwh)

10 546 184

12 985 655

Units sold (Kwh)

6 538 883

7 434 124

Units lost during distribution (Kwh)

4 007 301

5 551 531

Percentage lost during distribution

38.00%

42.75%

36

ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

36.1

Contributions to organised local government - (MFMA 125 (1)(b)) - SALGA CONTRIBUTIONS

Opening balance

-

-

Council subscriptions

620 560

500 000

Amount paid - current year

(620 560)

(500 000)

Amount paid - previous years

-

-

Balance unpaid (included in creditors)

-

-

36.2

Audit fees - (MFMA 125 (1)(c))

Opening balance

-

-

Current year audit fee

3 783 504

3 958 284

External Audit - Auditor General

3 783 504

3 958 284

Amount paid - current year

(3 641 489)

(3 958 284)

Balance unpaid (included in creditors)

142 015

-

36.3

VAT - (MFMA 125 (1)(c))

Opening balance

(3 951 047)

(2 093 628)

Amounts received - current year

446 068

7 271 186

Amounts received - previous years

3 951 047

1 262 752

Amounts claimed - current year

(3 301 917)

(10 391 357)

Closing balance - (Receivable) / Payable

(2,855,849)

(3,951,047)

VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors

36.4

PAYE, SDL and UIF - (MFMA 125 (1)(c))

Opening balance

-

949 831

Current year payroll deductions and Council Contributions

10 348 473

9 379 047

Amount paid - current year

(9 137 027)

(10 328 878)

Balance unpaid (included in creditors)

1,211,446

-

36.5

Pension and Medical Aid Deductions - (MFMA 125 (1)(c))

Opening balance

-

-

Current year payroll deductions and Council Contributions

15 042 714

12 478 870

Amount paid - current year

(15 042 714)

(12 478 870)

Balance unpaid (included in creditors)

-

-

36 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)

36.6 Councillor's arrear consumer accounts - (MFMA 124(f)(b))

The following Councillors had arrear accounts for more than 90 days as at 30 June

	2017 R Outstanding more than 90 days	2016 R Outstanding more than 90 days
Total Councillor Arrear Consumer Accounts	-	-

36.7 Other non-compliance (MFMA 125(2)(e))

Terms of Section 65(2)(e) of the Municipal Finance Management Act, 2003 (Act No 56 of 2003) (MFMA)  
Some Creditors were not paid within 30 days

36.8 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

In terms of section 38 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council

Deviations (impracticable to follow SCM procedures) - approved by Municipal Manager  
Deviations (Sole supplier) - approved by Municipal Manager

Total Suppliers	Amount
1	2 853 580
3	824 852
	<u>3 678 432</u>

37 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

Approved and contracted for:

Infrastructure  
Community

37,339,426	4 690,800
23 064,662	4 690,800
14,274,764	

Approved but not yet contracted for

Total

37,339,426	4 690,800
------------	-----------

This expenditure will be financed from:

External Loans  
Capital Replacement Reserve  
Government Grants

37,339,426	4 690,800
37,339,426	4 690,800

The activities of the municipality expose it to a variety of financial risks including market risk (comprising fair value, interest rate risk, cash flow, interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality did not engage in any foreign currency transaction.

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follows:

	2017	2016
	R	R
1% (2012 - 0.5%) Increase in interest rates	21,608	160,673
0.5% (2012 - 0.5%) Decrease in interest rates	(10,804)	(80,336)

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consists mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due to the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The credit quality of receivables are assessed on individual debtors basis. The accounts are then impaired on an individual basis based on the risk profiles/credit quality associated with that individual account.

All rates and services are payable within 30 days from invoice date. Refer to note 13 and 14 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 13 for balances included in receivables that were re-negotiated for the period under review.

FINANCIAL RISK MANAGEMENT (CONTINUED)

Balances past due not impaired

	2017 %	2017 R	2016 %	2016 R
<u>Non-Exchange Receivables</u>				
Rates and other receivables	100.00%	1,656,701	100.00%	5,277,736
<u>Exchange Receivables</u>				
Electricity	21.32%	1,211,606	41.93%	3,132,116
Refuse	-93.47%	(5,312,505)	-69.05%	(5,157,721)
Other	172.16%	9,784,299	127.12%	9,495,236
	100.00%	5,683,400	100.00%	7,469,630

No receivables are pledged as security for financial liabilities

Due to the short term nature of receivables the carrying value disclosed in note 13 and 14 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows.

	2017 %	2017 R	2016 %	2016 R
<u>Non-Exchange Receivables</u>				
Rates and other receivables	100.00%	13,750,525	100.00%	11,257,775
<u>Exchange Receivables</u>				
Electricity	0.97%	408,894	2.54%	1,063,603
Refuse	94.60%	39,977,727	92.57%	38,774,125
Other	4.43%	1,871,574	4.89%	2,050,423
	100.00%	42,258,195	100%	41,886,150

An amount of R 5 079 096 debt was written off

The entity only deposits cash with major banks with high quality credit standing. An amount of R100 000 is pledged as security on call deposits with Standard Bank. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The entity has no non-current investment transactions.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE. The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectations of counterparty default.

All receivables are individually evaluated annually at Statement of Financial Position date for impairment.

Financial assets exposed to credit risk at year end are as follows:

	2017 R	2016 R
Receivables from exchange transactions	5,683,400	7,469,630
Receivables from non-exchange transactions	1,656,701	5,277,736
Cash and Cash Equivalents	13,133,998	28,419,461
	<u>20,474,098</u>	<u>41,166,827</u>

FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
<b>2017</b>				
Long Term liabilities - Finance Lease Liability	320.076	-	-	-
Capital repayments	295.485	-	-	-
Interest	24.591	-	-	-
Long Term liabilities - Hire purchase Lease Liability	-	-	-	-
Capital repayments	-	-	-	-
Interest	-	-	-	-
Trade and Other Payables	19.360.092	-	-	-
Unspent conditional government grants and receipts	800.500	-	-	-
	<b>20.480.668</b>	<b>-</b>	<b>-</b>	<b>-</b>

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
<b>2016</b>				
Long Term liabilities - Finance Lease Liability	352.890	320.076	-	-
Capital repayments	279.801	295.485	-	-
Interest	73.089	24.591	-	-
Long Term liabilities - Hire purchase Lease Liability	76.491	-	-	-
Capital repayments	73062.68	-	-	-
Interest	3428.57	-	-	-
Trade and Other Payables	20.381.009	-	-	-
Unspent conditional government grants and receipts	1.157.442	-	-	-
	<b>21.967.833</b>	<b>320.076</b>	<b>-</b>	<b>-</b>



39	FINANCIAL INSTRUMENTS	2017 R	2016 R
	In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:		
	The fair value of financial instruments approximates the amortised costs as reflected below:		
39.1	<u>Financial Assets</u>		
	<u>Classification</u>		
	Investments		
	Fixed Deposits	Financial instruments at amortised cost	-
	Receivables		
	Receivables from exchange transactions	Financial instruments at amortised cost	5 693 400
	Receivables from non-exchange transactions	Financial instruments at amortised cost	1 656 701
	Other Receivables		
	Government Subsidies and Grants	Financial instruments at amortised cost	1 691 886
	Short-term Investment Deposits		
	Call Deposits	Financial instruments at amortised cost	10 260 055
	Bank Balances and Cash		
	Bank Balances	Financial instruments at amortised cost	2 873 642
	Cash Floats and Advances	Financial instruments at amortised cost	300
		<b>22,165,964</b>	<b>41,166,827</b>
	<b>SUMMARY OF FINANCIAL ASSETS</b>		
	Financial instruments at amortised cost	<b>22,165,964</b>	<b>41,166,827</b>
	At amortised cost	<b>22,165,964</b>	<b>41,166,827</b>
39.2	<u>Financial Liability</u>		
	<u>Classification</u>		
	Long-term Liabilities		
	Capitalised Lease Liability	Financial instruments at amortised cost	295 485
	Hire Purchase	Financial instruments at amortised cost	(0)
	Payables from exchange transactions		
	Trade Payables	Financial instruments at amortised cost	14 121 134
	Third party payables (Payroll)	Financial instruments at amortised cost	1 343 359
	Payments received in advance pre-paid electricity	Financial instruments at amortised cost	175 442
	Retentions and Guarantees	Financial instruments at amortised cost	3 803 872
	Sundry Deposits	Financial instruments at amortised cost	35 520
	Sundry Creditors	Financial instruments at amortised cost	56 206
	Other Payables		
	Government Subsidies and Grants	Financial instruments at amortised cost	800 500
	Current Portion of Long-term Liabilities		
	Annuity Loans	Financial instruments at amortised cost	
	Capitalised Lease Liability	Financial instruments at amortised cost	295 485
	Hire Purchase	Financial instruments at amortised cost	73 063
		<b>20,631,519</b>	<b>22,397,286</b>
	<b>SUMMARY OF FINANCIAL LIABILITY</b>		
	Financial instruments at amortised cost	<b>20,631,519</b>	<b>22,397,286</b>
40	EVENTS AFTER THE REPORTING DATE		
	Engagements with ESKOM regarding distribution and tapping from the Municipal network by ESKOM. A correction was made during the current year and new engagements have started. The outcome and what would yield from it is still to be determined.		
41	IN-KIND DONATIONS AND ASSISTANCE		
	None		
42	PRIVATE PUBLIC PARTNERSHIPS		
	Council has not entered into any private public partnerships during the financial year.		

<b>43</b>	<b>CONTINGENT LIABILITY</b>	<b>2017</b>	<b>2016</b>
	The municipality is being sued by Mkyana for damages whereby the claimant allegedly suffered constitutional damages		15 000
	The municipality is being sued by BL Pathy for damages suffered due to negligence by the municipality in failing to maintain and monitor the structure of the dam wall and the dam outlet of Hogsett Dam		120 000
	The Municipality is being sued by D S O'Reilly for damages suffered due to negligence by the municipality in failing to maintain and monitor the structure of the dam wall and dam outlet of Hogsett Dam		100 000
	Summons was issued against Emalahleni Municipality by W Kuyane	3 191 000	3 191 000
	Ex Grata Gratuities are payable regarding contracts for Sec 56 Managers on termination of contract		1 261 432
	Claims against Council	<u>3,191,000</u>	<u>4,687,432</u>
	In all the above cases a possible obligation to pay for the events remain at 30 June 2017, but uncertainty prevails of the actual time of the outflow of funds		

<b>44</b>	<b>CONTINGENT ASSETS</b>		
	A fraud case against employees amounted to R332 186 94 is in the process of investigation and mitigation	322,187	322,187
	Claims by Council	<u>322,187</u>	<u>322,187</u>
	In this case possible recovery of funds remain at 30 June 2017, but uncertainty prevails of the actual time of the inflow of funds		

<b>45</b>	<b>RELATED PARTIES</b>		
	Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents		
	The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties		

**45.1 Related Party Loans**

None

**45.2 Compensation of key management personnel**

The compensation of key management personnel is set out in note 22 to the Annual Financial Statements

**45.3 Other related party transactions**

The following entity exist during the year where Councillors or staff have an interest

<u>Councillor/Staff Member</u>	<u>Entity</u>	<u>Amount of Transactions</u>	<u>Payments made</u>	<u>Outstanding Payments</u>
P Greyling	Universal Garage	445 776	445 776	0

46

DISCONTINUED OPERATIONS

The Municipality acted as Water Service Provider (WSP) for the provision of water and sanitation services on behalf of the Water Service Authority - Chris Hani District Municipality. The Water Service Authority resolved to resume full accountability for the Revenue functions as from 1 July 2014.

The effect of Discontinued Operations on the Statement of Financial Position is as follows:

46.1	Liabilities associated with Discontinued Operations	2017	2016
	<b>Employee Benefits</b>		
	Post Retirement Benefits - Refer to Note 3.1		
	Long Service Awards - Refer to Note 3.2		
	Total Non-current Employee Benefit Liabilities		
	<b>Post Retirement Benefits</b>		
	Balance 1 July		1,147,585
	Contribution for the year		
	Interest Cost		
	Expenditure for the year		
	Actuarial Loss/(Gain)		
	Recovered		(1,147,585)
	Total post retirement benefits 30 June		-
	<b>Long Service Awards</b>		
	Balance 1 July		237,027
	Contribution for the year		
	Interest Cost		
	Expenditure for the year		
	Actuarial Loss/(Gain)		
	Recovered		(237,027)
	Total long service 30 June		-
	<b>TOTAL NON-CURRENT EMPLOYEE BENEFITS</b>		
	Balance 1 July		
	Contribution for the year		
	Interest cost		
	Expenditure for the year		
	Actuarial Loss/(Gain)		
	Recovered		(1,384,612)
	Total employee benefits 30 June		(1,384,612)
	<b>CURRENT EMPLOYEE BENEFITS</b>		
	Current Portion of Post Retirement Benefits - Note 5		-
	Current Portion of Long Service Provisions - Note 5		(71,967)
	Provision for Staff Leave Note 5		(672,181)
	Staff Bonuses accrued Note 5		(137,104)
	Total Current Employee Benefits		(881,252)
	The movement in current employee benefits is reconciled as follows: Note 5		
	<b>Provision for Staff Leave</b>		
	Balance at beginning of year		
	Contribution to current portion		
	Expenditure incurred		
	Recovered		(672,181)
	Balance at end of year		(672,181)
	<b>Staff Bonuses accrued</b>		
	Balance at beginning of year		
	Contribution to current portion		
	Expenditure incurred		
	Recovered		(137,104)
	Balance at end of year		(137,104)
	Total Liabilities associated with Discontinued Operations		(2,265,864)

APPENDIX A - Unaudited  
EMALAHLENI MUNICIPALITY  
SCHEDULE OF LONG-TERM LIABILITIES AS AT 30 JUNE 2017

LONG-TERM LIABILITIES	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2016	Correction	Balance at 1 JULY 2016 Restated	Received during the period	Adjustments	Interest portion payable at period end	Redeemed or written off during the period	Balance at 30 JUNE 2017
HIRE PURCHASE	9.00%	43454526/0007	2017/06/01	73,062	-	73,062	-	-	-	73,062	0
Standard Bank											
Total Hire Purchase				73,062	-	73,062	-	-	-	73,062	0
LEASE LIABILITY											
Aloe Office & Business Solutions	17.39%		2018/05/26	267,881	-	267,881				129,783	138,098
Aloe Office & Business Solutions	17.72%		2018/06/11	205,979	-	205,979				96,938	109,041
FINTECH	9.75%		2018/04/29	101,425		101,425				53,080	48,345
Total Lease Liabilities				575,285	-	575,285	-	-	-	279,801	295,484
TOTAL LONG-TERM LIABILITIES				648,347	-	648,347	-	-	-	352,862	295,485

**APPENDIX B - Unaudited**  
**EMALAHLENI MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017**  
**MUNICIPAL VOTES CLASSIFICATION**

2016 Actual Income R	2016 Actual Expenditure R	2016 Surplus/ (Deficit) R		2017 Actual Income R	2017 Actual Expenditure R	2017 Surplus/ (Deficit) R
125,516,195	(40,460,951)	85,055,244	Budget and Treasury	120,347,481	(38,685,148)	81,662,333
1,894,878	(17,562,373)	(15,667,495)	Community Services	5,070,766	(17,744,943)	(12,674,177)
140,556	(17,971,662)	(17,831,106)	Corporate Services	97,730	(19,123,166)	(19,025,436)
6,399,000	(22,455,768)	(16,056,768)	Council	6,626,664	(21,549,360)	(14,922,696)
30,324,445	(36,375,226)	(6,050,781)	Electricity	20,597,362	(24,997,594)	(4,400,233)
51,410	(10,957,033)	(10,905,623)	Executive	204,000	(12,074,188)	(11,870,188)
33,550	(1,258,952)	(1,225,402)	Housing Services	13,500	(2,475,017)	(2,461,517)
56,295	(5,851,320)	(5,795,026)	IPED	17,622	(5,639,995)	(5,622,372)
7,812,828	(11,002,096)	(3,189,268)	Refuse	6,965,348	(8,523,016)	(1,557,667)
34,693,788	(37,036,670)	(2,342,882)	Roads Transport	28,833,075	(36,499,413)	(7,666,338)
(47,016)	-	(47,016)	Water and Sanitation	800	-	800
206,875,930	(200,932,050)	5,943,879	Sub Total	188,774,348	(187,311,839)	1,462,508
-	-	-		-	-	-
206,875,930	(200,932,050)	5,943,879	Total	188,774,348	(187,311,839)	1,462,508

**APPENDIX C - Unaudited  
EMALAHLENI MUNICIPALITY**

**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017  
GENERAL FINANCE STATISTIC CLASSIFICATIONS**

2016 Actual Income R	2016 Actual Expenditure R	2016 Surplus/ (Deficit) R		2017 Actual Income R	2017 Actual Expenditure R	2017 Surplus/ (Deficit) R
6,450,410	(33,412,800)	(26,962,390)	Executive and Council	6,830,664	(33,623,548)	(26,792,884)
125,516,195	(40,460,951)	85,055,244	Budget and Treasury Office	120,347,481	(38,685,148)	81,662,333
140,556	(17,971,662)	(17,831,106)	Corporate Services	97,730	(19,123,166)	(19,025,436)
56,295	(5,851,320)	(5,795,026)	Planning and Development	17,622	(5,639,995)	(5,622,372)
-	-	-	Health	-	-	-
1,894,090	(16,455,795)	(14,561,704)	Community and Social Services	5,070,766	(16,637,305)	(11,566,539)
33,550	(1,258,952)	(1,225,402)	Housing	13,500	(2,475,017)	(2,461,517)
67,355	(1,530,396)	(1,463,041)	Public Safety	35,951	(1,090,287)	(1,054,336)
788	(1,106,578)	(1,105,790)	Sport and Recreation	-	(1,107,639)	(1,107,639)
7,812,828	(11,002,096)	(3,189,268)	Waste Management	6,965,348	(8,523,016)	(1,557,667)
(47,043)	-	(47,043)	Waste Water Management	800	-	800
34,693,788	(37,036,670)	(2,342,882)	Road Transport	28,833,075	(36,499,413)	(7,666,338)
27	-	27	Water	-	-	-
30,257,090	(34,844,830)	(4,587,740)	Electricity	20,561,411	(23,907,307)	(3,345,897)
-	-	-	Other	-	-	-
<b>206,875,930</b>	<b>(200,932,050)</b>	<b>5,943,879</b>	<b>Total</b>	<b>188,774,348</b>	<b>(187,311,839)</b>	<b>1,462,508</b>

APPENDIX D - Unaudited  
EMALAHLENI MUNICIPALITY

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS	Balance 1 JULY 2016	Corrections Prior year	Restated Balance JULY 2014	Grants Received	Total Grants Available	Write Offs / Transfers	Operating expenditure during the year Transferred to revenue	Capital expenditure during the year Transferred to revenue	Balance 30 JUNE 2017	Unspent 30 JUNE 2017 Current Liability	Unpaid 30 JUNE 2017 Current Asset
	R	R	R	R	R	R	R	R	R	R	R
<u>National Government Grants</u>											
Equitable share	-	-	-	152,099,000	152,099,000	-	128,928,900	23,170,100	-	-	-
Local Government Financial Management Grant (FMG)	-	-	-	114,599,000	114,599,000	-	114,599,000	-	-	-	-
Municipal Infrastructure Grant (MIG)	-	-	-	2,010,000	2,010,000	-	2,010,000	-	-	-	-
Integrated National Electrification Grant (INEP)	-	-	-	24,758,000	24,758,000	-	1,587,900	23,170,100	-	-	-
Extended Public Works Program (EPWP)	-	-	-	9,317,000	9,317,000	-	9,317,000	-	-	-	-
	-	-	-	1,415,000	1,415,000	-	1,415,000	-	-	-	-
<u>Provincial Government Grants</u>	1,157,442	-	1,157,442	2,694,898	3,852,340	930,000	1,127,442	3,000,000	(1,205,102)	-	1,205,102
Library	227,442	-	227,442	900,000	1,127,442	-	1,127,442	-	-	-	-
Rural Development	930,000	-	930,000	0	930,000	930,000	-	3,000,000	(1,205,102)	-	1,205,102
Department of Roads and Public Works	-	-	-	1,794,898	1,794,898	-	-	-	-	-	-
<u>District Municipality Grants</u>	-	-	-	2,332,500	2,332,500	-	2,018,764	-	313,736	800,500	486,764
Pruning and beautification	-	-	-	1,000,000	1,000,000	-	1,486,764	-	(486,764)	-	486,764
Transport	-	-	-	132,000	132,000	-	132,000	-	-	-	-
Construction of Feedlot	-	-	-	800,500	800,500	-	-	-	800,500	800,500	-
Greenest Municipality	-	-	-	200,000	200,000	-	200,000	-	-	-	-
IT Support	-	-	-	200,000	200,000	-	200,000	-	-	-	-
<b>Total</b>	<b>1,157,442</b>	<b>-</b>	<b>1,157,442</b>	<b>157,126,398</b>	<b>158,283,840</b>	<b>930,000</b>	<b>132,075,106</b>	<b>26,170,100</b>	<b>(891,366)</b>	<b>800,500</b>	<b>1,591,866</b>